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World Business Newspaper

WEDNESDAY NOVEMBER 29 1995

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AEG to hive off two divisions and shut headquarters

AEG, the electronics unit of Daimler-Benz of Germany, plans to dismantle itself by turning two of its largest divisions into separate legal entities and closing its Frankfurt headquarters. Talks are in progress over the sale of the divisions. AEG workers' representatives have warned that the sales, along with factory closures and reorganisation measures, could cost about 10,000 jobs, or 20 per cent of the workforce. Page 21

States 'can be sued' over EU law breaches: European Union governments can be sued for damages by individuals and companies for failure to apply EU laws correctly, the advocate general of the European Court said. Page 18; Ruling turns spotlight on court. Page 2

Gold supplies dry up: Gold markets in London and New York were hit when supplies of ready metal dried up, driving spot prices higher than prices in the forward market. Page 18; Lex, Page 18

Baxter to split in two: Baxter International, leading US producer of hospital supplies, is to split into two companies with sales of \$50m apiece. One will comprise global manufacturing operations and the other will cover US distribution. Page 19

Tapie told to serve eight months in jail

A French appeal court upheld a prison sentence and a fine against politician and businessman Bernard Tapie (left). The court in Douai ruled that Mr Tapie should receive a two-year prison sentence, with all but eight months suspended, three years of ineligibility for political office and a FF20,000 (\$4,000) fine in connection with charges that he tried to bribe soccer players. Mr Tapie immediately appealed to the supreme court. Page 2

Japan agrees defence review: Japan's three-party ruling coalition agreed the country's first defence policy review since 1978. The National Defence Programme Outline envisages a more streamlined military with a 20 per cent cut in troops. Page 8

Superhighway needs 'rules of the road': Development of the international information superhighway - a global high-capacity telecoms network - may be hindered by lack of internationally agreed 'rules of the road', a study suggests. Page 18

Long March rocket lifts off: A Chinese Long March 2E rocket carrying the \$200m AsiaSat-2 communications satellite lifted off from south-western China. Page 5

Canada and Mexico seek Chile deal: Canada and Mexico are looking at ways to extend parts of the North American free trade agreement to Chile if the US Congress fails to clear the way for full Chilean membership of Nafta. Page 5

'Euro-Med' talks pledge peace: European and Mediterranean nations pledged an era of peace and prosperity in a Barcelona Declaration adopted after last-minute wrangles over Middle East disputes. Page 6

Deutsche Bank seeks pensions boost: Deutsche Bank, Germany's biggest bank, called on the government to give pension funds fairer tax treatment to boost German financial markets and improve private retirement provision. Page 3

Bonn names privatisation targets: The German government named 18 companies it plans to privatise or part-privatise as part of its programme of reducing the state's involvement in industry. Page 2; Brazil plans partial telecoms sell-off. Page 4

US consumer confidence grows: US consumer confidence strengthened this month, indicating that retail spending during the Christmas season could be stronger than expected. Page 4

Tate & Lyle chief quits: Sir Neil Shaw is to step down as chief executive of Tate & Lyle after 15 years in which he has turned it from a UK sugar company hit by a series of bad investments into a highly profitable global sweeteners and starch group. Page 19

Dublin moves on steel dispute: Ireland proposed new marketing curbs at Irish Steel, its sole steel plant, in an attempt to end a bitter dispute with the UK over Dublin's use of state aid to help sell the company to Ispat International, an Indian-owned steel group. Page 2

STOCK MARKET INDICES			
New York	10,000	10,000	10,000
Dow Jones Ind	5,041.97	(+28.9)	
NASDAQ Composite	1,038.82	(+6.7)	
Europe and Far East			
London	1,870.34	(+19.42)	
CAC 40	2,241.51	(+3.41)	
DAX	3,240.6	(+1.2)	
FT-SE 100	10,083.42	(+142.28)	
Nikkei			
US LUNCHTIME RATES			
Federal Funds	5.5%		
3-month Treas. Bill	5.525%		
Long Bond	10.81		
Yield	8.24%		
OTHER RATES			
UK 3-mo interbank	6.5%	(85.94)	
UK 10 yr Gilt	10.5%	(105.5)	
France 10 yr OAT	10.1%	(102.17)	
Germany 10 yr Bund	10.1%	(102.17)	
Japan 10 yr JGB	11.5%	(113.78)	
NORTH SEA OIL (Argus)			
Brent 15-day (Jan)	\$17.85	(17.07)	
Australia	\$24.5		
Bahrain	\$21.20		
Bangladesh	\$24.70		
Brazil	\$21.10		
Czech Rep	\$24.5		
Dominican	\$21.10		
Egypt	\$24.5		
France	\$21.10		
Germany	\$24.5		
Greece	\$21.10		
Hong Kong	\$24.5		
India	\$21.10		
Indonesia	\$24.5		
Italy	\$21.10		
Japan	\$24.5		
Korea	\$21.10		
Libya	\$24.5		
Mexico	\$21.10		
Netherlands	\$24.5		
Norway	\$21.10		
Poland	\$24.5		
Portugal	\$21.10		
Romania	\$24.5		
Saudi Arabia	\$21.10		
Spain	\$24.5		
Sweden	\$21.10		
Switzerland	\$24.5		
Taiwan	\$21.10		
Texas	\$24.5		
Thailand	\$21.10		
Turkey	\$24.5		
UAE	\$21.10		
UK	\$24.5		
USA	\$21.10		

UK budget aims to boost Tories

By Robert Chote, Robert Peaton and Philip Coggan in London

Mr John Major's government sought yesterday to revive its fortunes in the run-up to the next UK general election with a Budget proposing a modest £3.1bn (\$4.8bn) cut in taxes, paid for by reductions in planned public spending.

The Budget, presented by Mr Kenneth Clarke, chancellor of the exchequer, comes amid mounting evidence that Britain's economy may be running out of steam, with stubbornly high government borrowing leaving Mr Clarke little room for manoeuvre.

Opinion polls suggest the Conservatives are trailing heavily behind Mr Tony Blair's Labour party. Last night reaction from Conservative MPs was subdued, and in Parliament, the Budget was seen as a clear signal that the government plans to call the election close to the last possible moment in the spring of 1997.

"Clearly we want to hold another Budget before going to the country," said a senior mem-

ber of the cabinet. "The tax cuts the chancellor has delivered are clearly welcome, but are probably not a platform for fighting a general election."

City economists found the Budget uninspiring, but said it left the door open for an early cut in interest rates - perhaps when the chancellor next meets Mr Eddie George, governor of the Bank of England, on December 13. The financial markets reacted in muted fashion, amid concern about the large sums the government expects to borrow in coming years.

The Budget was too tight to win the election and too loose to impress the markets, said Mr Jeremy Hawkins, chief economist at Bank of America in London.

The FTSE 100 index, having been almost 13 points lower ahead of the chancellor's speech, rallied to close 0.2 down at 3,240.8.

Budget details and analysis Pages 11-13
Lex Page 18

and those paying at the higher 40 per cent rate.

Mr Clarke's other giveaways included a cut in tax on savings income, a series of tax cuts for businesses and measures to help people cope with the cost of long-term care in their old age.

He also increased the threshold at which people have to pay inheritance tax by a third.

Mr Clarke paid for these tax cuts by reducing the planned "control total" for the bulk of government spending next year by £2.2bn to £260.2bn.

The chancellor included a £1.5bn cut in public sector capital spending, which the chancellor hopes will be replaced by increased private sector funding under the "private finance initiative".

Even though the tax cuts were offset by lower public spending

plans, the chancellor was forced to unveil a markedly gloomier outlook for government borrowing than he had expected in the summer or at the time of the last Budget.

Mr Clarke forecast a public sector borrowing requirement of £29bn this year, compared to the £23.8bn he predicted in June. He also raised his forecast of next year's PSBR from £16.1bn to £22.4bn, a bigger increase than most City economists had expected.

Borrowing forecasts for each year to the end of the century have been increased, forcing the Treasury to push back the date at which it expects the government's books to be back in the black by a year to 1999-2000.

The chancellor said he expected the economy to have expanded by 2.7% per cent between 1994 and 1995.

This is a smaller increase than the Treasury has predicted, but does not imply the collapse in growth during the rest of this year which some City economists expect.

Government move to defuse damaging rail strike earns hostile reception from unions

France to assume \$7.6bn of SNCF's arrears

By John Riddling in Paris

The French government is to assume FF37bn (\$7.6bn) of the debts owed by SNCF, the national railway company, over the next year in a move to defuse a strike, which has crippled the rail network and posed a growing challenge to Mr Alain Juppé's conservative administration.

Mr Bernard Pons, transport minister, described the move yesterday as "a considerable effort which shows the government's commitment to SNCF".

He said further debt relief, to be tied to productivity efforts at the state-owned rail company, could reach FF100bn over the next five years. The company's total debts are forecast to reach FF175bn at the end of 1995.

The move comes amid a test of strength between the government and trade unions over Mr Juppé's attempts to cut France's budget deficits and satisfy conditions for European monetary union. Financial analysts expressed concerns that it signalled a willingness to make concessions on budgetary rigour, but they indicated that debt relief had been anticipated as part of



SNCF services were brought to a virtual halt yesterday by striking French railway workers, demonstrating here in Lille, northern France.

the railway's development plan for the period 1996-2000.

Reaction from some of the biggest rail unions was hostile. "It is a fool's bargain", said the CFDT, which urged a continuation of industrial action. Comparing the package of FF37bn in 1990, the communist-led CGT described the support as inadequate.

Yesterday's announcement came as SNCF services were brought to a virtual halt when rail workers stepped up their protest, against restructuring measures and welfare reforms. The sixth day of their action strengthened a broader 24-hour public

sector strike against Mr Juppé's proposals to eliminate France's FF30bn welfare deficit through spending cuts and the extension of the pensions contribution period for state employees from 37 1/2 to 40 years.

Officials said the government was seeking to calm the protests from public sector workers, students and rail workers through negotiations.

But they said that there would be no turning back on reform and dismissed reports that the potentially sensitive overhaul of the tax system, which is due early next year, had been delayed.

The government took some encouragement from yesterday's public sector protests. Although public transport was paralysed in many cities, the protests drew much less support from civil servants and some other state employees than a similar protest

last Friday. However, several unions called for a national day of protest, grouping students, the unemployed and pensioners for mid-December.

Analysts expressed concern

Continued on Page 18

Bonn backs use of German troops to keep Bosnia peace

By Michael Lindemann in Bonn

The German cabinet yesterday approved the deployment of 4,000 German troops as part of the 60,000-strong international peace-keeping force in former Yugoslavia, marking the largest deployment of German troops outside the Nato area since 1945.

The approval came as the US Congress appeared closer to agreeing to a proposal by President Bill Clinton to send 20,000 troops to the region. Mr Bob Dole, Senate majority leader, said he "wanted to support the president" but some senior Republicans remain unconvinced.

Meanwhile, Nato and Russian officials met in Brussels to finalise details of the participation of 2,000 Russian troops in the force. Moscow had insisted they should not come under Nato command, and Mr Charles Millon, French defence minister, said the dispute had been settled by establishing a "consultative committee".

The German resolution has yet

to be approved by the Bundestag, the lower house of parliament, but this is expected to happen next week. The opposition Social Democrats, who are divided on the German deployment, have said they will support the government motion.

The deployment is conditional on the final signature of the Bosnian peace accords - expected next month in Paris - and on a corresponding resolution of the UN Security Council.

The German contingent, which will be deployed for 12 months only, is made up mainly of auxiliary troops, including medical and transport units.

They will be protected by German troops, including paratroopers, which marks a significant shift away from relying on other Nato forces for protection.

They are expected to be stationed between the Croatian coastal towns of Split and Zadar, and will enter Bosnia only occasionally to transport the wounded. The contingent

includes the 1,800 German troops already stationed in Croatia and Italy to back up the combat forces which have been deployed by France, Britain, Spain and other countries.

Germany has repeatedly said it would not send combat troops to former Yugoslavia because of the role played in the region by the German army during the Second World War. The leftwing Greens yesterday said they would vote against the government's motion, arguing that all German help in Bosnia should be strictly civilian.

Mr Rudolf Scharping, the former leader of the Social Democrats, who now heads the parliamentary party, said he would urge SPD deputies to back the government's motion but it is not clear that all the deputies will follow his lead. Mr Volker Rühe, defence minister, is expected to present the cabinet resolution to the Bundestag tomorrow.

More support for Clinton, Page 4
Unwrap the package, Page 16

Anglo-Irish premiers to meet in Ulster peace move

By John Kammphor in London and John Murray Brown in Dublin

British prime minister John Major and his Irish counterpart John Bruton were to meet in Downing Street last night to clinch a deal to overcome the Northern Ireland peace process impasse.

The move came on the eve of a visit by President Bill Clinton to the UK and Ireland, and followed the sixth telephone call between the two premiers in as many days.

In a day of fluctuating forecasts, Irish officials expressed confidence that a deal could be struck just as Mr Clinton begins his three-day visit.

Both governments were said to be "tantalisingly close" to agreeing their "twin track" strategy - a formula which would allow political talks to get under way while an international body looks at the question of paramilitary arms. Irish officials played down suggestions of a US role, stressing they were "keeping Washington briefed through diplomatic channels, but the dynamic for this process is between London and Dublin".

Mr Major told the Commons earlier that any agreement had "to be on acceptable terms", promising to deal with it "as speedily as practicable".

Mr Bruton has been particularly keen to secure a deal ahead of Mr Clinton's arrival. London has been more circumspect, making clear it did not see the trip as imposing a timetable for any agreement.

Dublin officials said Mr Bruton was prepared to fly to London late last night or early this morning to launch "twin track" with Mr Major. Mr Clinton will be met at Downing Street by Mr Major. Their talks are expected to focus as much on Bosnia and other international issues as Northern Ireland. Mr Clinton will then address both houses of parliament jointly. Tomorrow he will

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A FRUSTRATED MATCHMAKER?
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CINVen / INDEPENDENT / VISION

NEWS: EUROPE

Dublin offers concession in steel dispute

By John Murray Brown
in Dublin and
Stefan Wagstyl in London

Ireland is proposing new marketing curbs at Irish Steel, its sole steel plant, in a bid to end a bitter dispute with the UK over Dublin's use of state aid to help sell the company to Ispat International, an Indian-owned steel group.

Mr Richard Bruton, the Irish enterprise and employment minister, yesterday confirmed that Dublin had agreed to divert up to 10 per cent of Irish Steel's future production to

markets outside the European Union in an effort to overcome British concerns that the plant would compete against British products. The plant currently sells about 2 per cent of its output outside the EU.

If agreed, the compromise proposal, which was put to British officials for the first time in Brussels yesterday, could be formally initiated by EU ambassadors on Friday.

Mr Bruton said that he hoped "to sign off on the deal before the end of the week". However, he indicated that Dublin would push for a special meeting of the European industry

ministers' council if the issue is not resolved. British officials yesterday said negotiations were still in progress but declined to comment on the details.

Dublin's plan involves refinancing loss-making Irish Steel with £27m (\$43.5m) in state aid before selling the plant for a nominal £1 to Ispat.

Under the scheme agreed with Ispat, Irish Steel's output, which this year totalled 258,000 tonnes of hot-rolled long products, would rise to a maximum of 350,000 tonnes a year for the first five years.

The plant's current annual capacity is about 500,000 tonnes of raw steel and 343,000 tonnes of long products. It is not clear whether the latest Irish concessions will meet British objections. The British Iron and Steel Producers' Association this week spelt out UK steelmakers' concerns over the Irish plan.

In a submission to the House of Commons select committee on European legislation, which met yesterday, the association said that while it might be necessary for government grant aid to fund reductions in capacity, to give funds to increase capacity

was "quite unacceptable, not only in legal principle but also in commercial logic".

British steelmakers argue that the EU has approved aid for steelmakers only in cases where capacity was being cut. They claim that Irish Steel's plans involve an increase.

British Steel, the UK's biggest supplier, has warned it might close a plant at Shelton, Staffordshire, if the aid plan goes ahead.

Mr Bruton yesterday described as "unfounded" British claims that Irish Steel would have an unfair advantage over Shelton.

EU liability ruling turns spotlight on Court

By Robert Rice,
Legal Correspondent

Yesterday's preliminary opinions of the European Court on the controversial issue of state liability for breaches of EU law could result in fresh moves to curb the court's powers at the European Court of Justice.

Euro-sceptics in the UK in particular are likely to react with anger if the Court's final judgment, expected next spring, results in the UK government having to pay more than £30m compensation to Spanish fishermen banned from British waters in 1989.

Renewed support for reform of the court may also come from Germany which faces paying compensation to German holiday makers

as a result of the opinion. The four cases, two German and two British, were brought as a result of the Court's landmark 1991 ruling in the Francovich case.

In that case the Luxembourg judges ruled for the first time that a member state could be liable to pay compensation to an individual who had suffered loss as a result of its failure to implement a European directive within the prescribed time limit.

Until the Francovich decision it was widely believed that while European regulations were directly applicable and could be relied on by EU citizens in their national courts, directives were not.

The case caused a political storm throughout the EU and was one of the main factors behind attempts by Conserva-

tive Eurosceptic MPs in the UK to persuade the UK government to push for the powers of the European Court to be curbed at the IGC. Their position has received some support from politicians in Germany and France.

The irony for the UK is that the Francovich decision flowed directly from a change sponsored by Britain. In the run-up to completion of the single market, European politicians had expressed concern about the uneven record of member states in implementing directives. Between 1982 and 1993, for example, enforcement proceedings were taken against Italy at the European Court on 215 occasions compared with just 26 actions against the UK.

According to Lord Howe, the former British cabinet minister, no one was more vigorous

in complaining about this discrepancy at the time than the then UK prime minister, Mrs Margaret Thatcher. As a result Britain sponsored a modification to the Rome Treaty at Maastricht to give the European Court stronger enforcement powers to deal with recalcitrant states.

The four opinions delivered yesterday by the advocate general Mr Giuseppe Tassaro are designed to clear up the confusion which followed the Francovich case and set out precisely when states will be liable to pay damages.

The advocate general said a state's liability to pay damages could not be confined to cases where it had failed to implement a directive within the prescribed time limit, as in the Francovich case.

States would also be liable

for breaches of directly applicable European laws and for failure to transpose directives into national law correctly.

States will only be liable where the EU law concerned confers rights on the individual; those rights are clear; and there is a causal link between the breach of the EU law obligation by a state and financial loss suffered by the individual.

But, he said, that did not mean that every infringement of EU law affecting individuals automatically entitled them to damages. For damages to be payable, the breach of EU law by the member state must be "manifest and serious".

Failure to implement directives on time was a manifest breach. More generally, states would be guilty of a manifest and serious breach of EU law obligations where: those obli-

gations were clear and had not been complied with; where they had been clarified by the European Court previously; and, where a state's interpretation of the relevant EU law was manifestly wrong.

The size of damages should be left to the national courts, Mr Tassaro said, although they should not be less than for a similar action brought under national law and they must amount to full compensation.

He said in cases of manifest breach damages would be payable from the date on which the event causing the damage occurred. In other cases damages would only be payable after a national or European Court ruling and only in respect of damages arising after the courts had clarified the position.

THE FOUR CASES BROUGHT BEFORE THE ADVOCATE GENERAL

French beer - Brasserie du Pêcheur, a French brewery, is suing the German government for DM1.8m (\$1.3m) after it was forced to stop exporting beer to Germany between 1981 and 1987 because its beer did not comply with German purity laws. In 1987 the European Court ruled the German law was contrary to European law, prompting the brewery's claim.

The Advocate General said the claim should be rejected because the relevant EU law outlawing the German beer purity rules was not clearly defined until late 1981 and the brewery had taken no steps to test the law by trying to export after that date.

Spanish fishermen - Factortame - Spanish fishermen are suing the UK government for loss of income and profits after it legislated in the Merchant Shipping Act 1988 to close a loophole which allowed Spanish trawler owners to circumvent European fishing quotas by registering boats under the British flag.

The Act was declared incompatible with European law by the European Court in 1991 in that it discriminated on grounds of nationality which was prohibited under European law. The Advocate General said the fishermen should be entitled to damages for losses sustained between April 1989, when the Act came into force, and the date they were able to resume fishing.

British Telecommunications - BT is suing the UK government for losses it claims it suffered as a result of the incorrect incorporation into UK law of a 1990 European directive on procurement procedures for utilities.

BT claims it incurred additional costs in complying with the incorrect national law. The Advocate General said BT's claim should be rejected.

The Advocate General ruled that the directive was insufficiently clear for its incorrect implementation into national law by the UK government to amount to a "manifest and serious breach" of European law.

German package holidays - Dillenkötter - The German plaintiffs all bought package holidays from two German travel agents which became insolvent, leaving them stranded or unable to take their holidays and unable to get their money back. If the German government had implemented the 1990 package holidays directive on time, as required by European law, they would have been protected.

They claimed reimbursement from Bonn for failure to implement the directive on time. The Advocate General said they should be entitled to damages as the failure to implement the directive on time had deprived them of their rights to reimbursement under European law.

Quickfire Kinnock breaks ranks with Brussels high command

By Lionel Barber in Brussels

Mr Neil Kinnock, the EU transport commissioner and former leader of the British Labour party, has a reputation for shooting from the hip.

But why Mr Kinnock decided to break ranks with his Commission colleagues on the EU's two most central policies - economic and monetary union and enlargement to eastern Europe - remained unclear yesterday.

One theory is that Mr Kinnock simply suffered a lapse of judgment. Another is that he and his influential chief of staff, Mr Phillip Lowe, had tired of writing speeches about motorways and waterways and wanted to stir debate on the future of Europe.

The thrust of Mr Kinnock's remarks at a Siemens management forum in Bracknell, Berkshire, last Friday were that 1999 was an "unrealistic" date for launching the single currency and that enlargement policy requires a fundamental rethink.

Many officials in Brussels are saying privately what Mr Kinnock dared to say in public, but the collective Commission line is to stay the course. This explains the flurry of denials and half-truths which followed publication of his text, and the Commission's insistence that Mr Kinnock's remarks were "private".

The Kinnock cabinet compounded the problem by insist-



Kinnock may have tired of writing speeches about motorways and waterways and wanted to stir debate about the EU

ing on Monday that a text of the speech either did not exist or was no longer available.

Yet Mr Kinnock made the very same remarks to a private gathering of British editors on Friday, according to an aide.

So what is going on? The second explanation is that his remarks on Emu were intended for a British rather than a continental audience - a distinction which most Euro-

crats would consider false. Still, aides said his prediction that Emu is unlikely to go ahead on schedule in 1999 was a political tactic to remove fears in Britain that monetary union is imminent (though Mr Kinnock made clear that he still supports the idea of a single currency and believes that it is an inevitable consequence of the single market).

By implication, aides

explained, his aim was to insulate a future Labour government against Tory charges that a prime minister such as Mr Tony Blair, the UK Labour party leader, would be forced to decide whether to join the

'I believe that something like my views will become conventional wisdom'

single currency in early 1998 and would inevitably join the Emu club.

Second, his call for a "more flexible" transition process toward Emu and a "broadening" of the entry criteria for monetary union to take account of employment, investment and productivity were gauged to appeal to the Left to support Emu - along the lines of similar calls from Sweden.

On enlargement, Mr Kinnock, like many of his colleagues, is frustrated with the rhetorical support from Britain and Germany and the refusal to countenance increases in the EU budget.

Mr Kinnock intends to stick to his views, even if he is in a minority. "I believe that something like the views that I hold will become conventional wisdom in the relatively near future," he said last Friday.

Bonn pinpoints targets for privatisation

By Peter Norman in Bonn

The German government yesterday pinpointed 18 companies that it plans to privatise or part-privatise as part of its programme of reducing the state's involvement in industry and commerce.

The Finance Ministry's annual privatisation review, which was approved by the cabinet yesterday, reaffirmed plans for the federal government to sell the wholly-owned Deutsche Postbank next year and part-privatise Deutsche Telekom by means of a capital increase in 1996.

It also said the federal government would seek a step-by-step reduction in its 35.68 per cent stake in Deutsche Lufthansa, the German airline, once a way had been found for dealing with regulations that stipulate that majority ownership of the company must be held by shareholders within the European Union.

Other holdings which Bonn hopes to sell by the next general election in 1998 include stakes in banks, a 50 per cent holding in the port of Lübeck, and Autobahn Tank & Rest, a wholly owned chain of motorway service stations and cafes capitalised at DM1.38m (\$89.2m). Also on the selling list are the federal states and government guest house on a hill overlooking Bonn, and "Mon Repos", a rest home in the Swiss alpine resort of Davos.

In the banking sector, the federal government aims to sell its 61.5 per cent stake in the DM218.7m capital of the Deutsche Siedlungs- und Landesbank.

Bonn also wants to withdraw from the co-operative banking movement through the sale of GBB-Genossenschaftsbank Berlin, a wholly owned holding company with capital of DM250m, and its 6.16 per cent direct and indirect holdings in the DM1.53bn capital of DG Bank, the co-operative sector's wholesale bank.

It will take until the next legislative period before the government can dispose of some holdings; for example, the law stipulates that Bonn's holding in the Deutsche Post must be above 50 per cent until 1999. Other companies, such as Kreditanstalt für Wiederaufbau, Germany's development bank, will stay in the state sector.

The finance ministry said it was investigating how to privatise parts of Germany's public infrastructure, such as airports. But after several years of disposing of federal assets, it said the greatest scope for privatisation in Germany now lay with the federal states and local authorities.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60311 Frankfurt am Main, Germany. Telephone +49 69 150 550. Fax +49 69 550 4381. Telex 311155. Registered in Frankfurt by J. Walter Brand, Wilhelm J. Brand, Colin A. Kennedy as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of The Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and FT (Germany) Advertising Ltd, London. Shareholders of the above mentioned companies are: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY: Responsible for Advertising: Colin A. Kennedy. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rennstraße 34, 62303 Neu-Isenburg (owned by Hürter International), ISSN 0174-7263. Responsible Editor: Richard Lambert. The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE: Publisher: Director: D. Good, 168 Rue de Rivoli, F-75004 Paris Cedex 01. Telephone 01 4297 0621. Fax 01 4297 0629. Printer: S.A. Nord Estrie, 1521 Rue de la Case, F-91010 Rouvray Cedex. Editor: Richard Lambert. ISSN 1128-2753. Comptroller: Patrice No 67080D.
SWEDEN: Responsible Publisher: Hugh Carnegie 468, 615 0685. Printer: AB Kvalitetstryckeriet Expressen, PO Box 6007, S-150 06, Jönköping.
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Lukashenko casts shadow over Belarus

Matthew Kaminski on today's parliamentary elections in the former Soviet republic

Belarus will try to elect a parliament today, six months after the first attempt failed due to restrictions on campaigning and a high turnout requirement.

The country's authoritarian president, Mr Aleksander Lukashenko, has again cast doubt on Belarus's democratic credentials, through a presidential decree which largely prevents candidates from using posters or appearing on state-owned media.

Western observers worry that Mr Lukashenko, openly hostile to most opposition, will institute direct presidential rule and dissolve the legislature unless more than half the voters turn out in enough districts to fill the remaining 141 places in the 260-seat chamber. Mr Lukashenko has no links

with any party in the parliamentary elections.

The constitutional court, which earlier upheld the old parliament's move to halve the turnout requirement, last week acceded to pressure from Mr Lukashenko to keep the requirement at 50 per cent.

This has proved a tough target in a country with weak democratic traditions and a politically disenchanted electorate.

Last May 119 deputies were elected. Parliament needs a two-thirds quorum to sit. "Perhaps de facto presidential rule is already in effect," Mr Lukashenko said this week. "Absolute power means absolute responsibility, and I am ready for this." He added that the people did

not believe in their deputies. "When I saw the latest list of candidates for parliament, I felt ill."

Mr Lukashenko has curtailed freedom of press and assembly. Independent newspapers are excluded from state-owned printing sites and distribution networks. Three are currently printed in Lithuania.

Belarus's growing political opposition says the electorate will turn out to voice their frustration with Mr Lukashenko, whose approval ratings are starting to fall from the 80 per cent he scored in last year's presidential elections.

"The president wants to be czar," said Mr Igor Oshinsky, whom Mr Lukashenko last year removed as editor of Sovetskaya Byelorossiya, the

largest state-owned daily. "People will turn out. They want this comedy to end."

Mr Lukashenko counters that the broad support for economic union with Russia, for the return of the Russian language and for stronger executive powers, as evidenced in a May referendum, makes a sitting parliament an unnecessary check on his presidency. He voices admiration for several central Asian rulers who have created strong presidencies.

The Minsk leader backs a Moscow-led defence union and deeper integration with Russia. A customs union between Belarus, Kazakhstan and Russia takes effect on January 1.

"People supported economic union with Russia, and little has improved," said Mr Stanislav Shushkevich, the country's first post-independence leader and a parliamentary candidate. "If parliament actually convenes, it won't go for full-scale integration with Russia."

The communists and agrarians, who won the bulk of seats in the two May elections, are expected to do well again today.

Western diplomats are concerned that Belarus may fail to sustain a democracy, and are worried by the boost that the country's call for reunion gives to communist-nationalist groups in Russia.

"Belarus is not a hole in the map," a diplomat said. "Its neighbours are very concerned whether it will stay independent, succumb to authoritarianism or actually make progress."

EUROPEAN NEWS DIGEST

Norway rules out EU entry

Norway will not reopen the issue of European Union membership in this century, Mrs Gro Harlem Brundtland, the prime minister, said yesterday, a year after the electorate rejected joining the EU in a referendum. But she said Norway would seek to couple its currency to the planned European single currency to ensure economic stability.

"It will not be a question in the 1990s. I am sure we are talking about at least five years," Mrs Brundtland said after being asked when Norway might again tackle the issue of membership. An opinion poll in the newspaper Dagbladet showed 88 per cent of voters were happy to stay outside the EU, significantly more than the 52.2 per cent who voted No last November. Mrs Brundtland said the government would work to keep the oil-backed economy and currency stable and in condition to qualify for European economic and monetary union - despite Norway's ineligibility. Norway already meets all criteria set down for Emu membership.

"It will not be in the interest of the rest of Europe to have uncertainty and unclear about the Norwegian currency," she said. The krona has been floating since late 1992 but has been stable in recent months. *Hugh Carnegie, Stockholm*

Parmesan inquiry launched

Parmesan cheesemakers are to come under the scrutiny of Italy's antitrust authority, after the industry ministry questioned a 28 per cent increase in price over the last four years. The antitrust investigation will look at two consortiums producing Parmigiano Reggiano cheese and Grana Padano cheese, its lesser-known cousin from the Po valley. Together the consortiums account for 95 per cent of production. The authority will examine agreements to limit production, which it believes could also restrict competition.

The authority warned of a pending cheese inquiry in June when it opened an investigation into allegations of sharp price increases by producers of prosciutto di Parma and prosciutto di San Daniele, two of Italy's world-famous cured hams. Concerns arise from the potential anti-competitive effects of the strict production regime, which is supposed to protect the quality of the cheese and ham. The authority said yesterday that it had nearly completed its inquiry into ham production. *Andrew Hill, Milan*

Paolo Berlusconi on trial

A Milan public prosecutor yesterday called for a two-year prison sentence for Mr Paolo Berlusconi, the younger brother of Silvio, the former prime minister, for being involved in the payment of L.1.2bn (\$783,000) in bribes for the sale of property to the pension fund of Cariplo, the Milan savings bank.

The bribery allegedly occurred when Mr Paolo Berlusconi was running the property and construction interests of the Fininvest business empire founded by his brother. It is the first of several cases of corruption in which Paolo Berlusconi faces trial. Among others who may face prison sentences in the trial are Mr Bettino Craxi, the former Socialist leader, who is in self-imposed exile in Tunisia and has been served with three international arrest warrants.

Also yesterday the trial opened in Naples of Mr Antonio Gava, ex-Christian Democrat interior minister, for alleged association with the Camorra. *Robert Graham, Rome*

Tapie sentence upheld

A French appeals court yesterday upheld fines and prison sentences against Mr Bernard Tapie, the politician and businessman, and a number of others accused of a football match-fixing scandal. The appeal court in Douai ruled that Mr Tapie should receive a two-year prison sentence, with all but eight months suspended, three years of ineligibility for political office and a FF220,000 (\$4,080) fine.

The judgment was a slight reduction on the initial finding of the court in May that he serve two years with one suspended in connection with charges that he tried to bribe players in a 1993 match between Valenciennes and Olympique Marseille. There was also a small cut in the sentence against Mr Jacques Mellick, a parliamentary deputy and a mayor of Béthune, who was also implicated.

The National Assembly voted earlier this month to lift Mr Tapie's parliamentary immunity. However, he retains some immunity as a European Union deputy and is legally entitled to remain free while his case goes to the final court of appeal in Paris. *Andrew Jack, Paris*

French companies pessimistic

The latest survey by Insee, the official French statistics agency, of some 2,500 industrialists yesterday confirmed a growing pessimism in industry about weakening growth. Insee reported that overall, companies believed that industrial output had "fallen slightly in recent months", and that this slight decline would continue until the end of the year. But industrialists in two sectors - cars and intermediate goods such as paper, rubber, chemicals and glass - foresaw further deterioration, in contrast to capital and consumer goods where the prospects were a little better.

The survey said businesses reported their stocks were above normal, a sign of possible further retrenchment, but that they had maintained orders at a normal level and even "slightly replenished" their foreign order books. The implication of the survey is that industrial output may not have rebounded in October from its 2 per cent decline in September. Today Insee will publish its preliminary estimate of how gross domestic product performed in the third quarter. *David Buchan, Paris*

Milosevic purges hardliners

Three leading members of Serbia's ruling Socialists were purged from their posts yesterday, signalling that Mr Slobodan Milosevic, the Serbian president, was clamping down on hardline Serb nationalists within the political establishment. The three men were Mr Borislav Jovic, former Yugoslav president, Mr Mihajlo Markovic, chief ideologue for the Socialists, and Mr Milorad Vucelic, recently sacked as chief of the powerful Television Serbia.

The sackings appeared to strengthen the position within the party of Mrs Mirjana Markovic, Mr Milosevic's wife. She had been at odds with the sacked men. *Laura Silber, Belgrade*

Education gulf highlighted

Germans are almost four times more likely than Portuguese to have completed secondary education, said a report published yesterday by Eurostat, the European Commission's statistical office. The report covers the 12 states that were EU members before 1995. It said 84 per cent of Germans and 80 per cent of Dutch citizens aged between 25 and 59 had completed upper secondary education in 1994, compared with just 28 per cent of Spaniards and 23 per cent of Portuguese. The report also said that women between these ages were as likely as men to have upper secondary education.

Children from EU families in which the head of household had been in higher education had an almost one-in-two chance of achieving the same level, compared with one-in-three for children in which the head had not advanced beyond compulsory schooling. Chances of access to higher education were most equal in the UK. Young graduates are increasingly taking jobs for which they are over-qualified. Of graduates aged 25 to 34, almost 14 per cent had clerical jobs and 6 per cent were technicians or sales staff. *Simon Kuper, London*

مكتبة الامير

Banknote boss denies tax evasion claims

whom he married six years ago.

INDO

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NEWS: THE AMERICAS

US Congress and public edge nearer Clinton's line

Support grows for Bosnia troop role

By Bruce Clark in Washington

Congress and the US public yesterday edged closer towards supporting President Bill Clinton's plan to send US troops to Bosnia, although a hard core of sceptics stayed unconvinced.

Mr Bob Dole, the Republican party's majority leader in the Senate, said he "wanted to support the president" and he welcomed the fact that Mr Clinton had started making the case for the Bosnia plan through a national television address on Monday night.

Other Republicans remained unpersuaded of the need to deploy up to 20,000 ground troops in Bosnia, but some acknowledged that Mr Clinton could still use the enormous prestige of his office to push the proposal through.

Mr Dole said the deployment would probably proceed. "Whether Congress agrees or not, troops will go to Bosnia," he told CBS News.

In his address, Mr Clinton had offered arguments for joining the Nato-led implementation force which were carefully balanced between appeals to

idealism, assertions that US interests were at stake, and promises that the mission would defend itself.

"In fulfilling this mission, we will have the chance to help stop the killing of innocent civilians, especially children, and at the same time to bring stability to central Europe, a region of the world that is vital to our national interests," he said.

He also gave an assurance that the responsibility for any casualties, which he freely acknowledged were likely, would be his alone. This may encourage some Congressional sceptics to give the president a free hand once they have made their own feelings plain.

Mr Joel Hefley, a leading sceptic in the House of Representatives, said that, as of yesterday, a resolution in support of the mission would fail. "I am going to do what I can to fight the deployment until the president can make a better case," he added.

However, Mr Hefley acknowledged that legislators might be "sucked in" to a position of support for Mr Clinton

if Nato were to proceed with plans to send a small advance party of US troops to Bosnia at the end of this week. Congress might feel obliged to support soldiers already in the field, he suggested.

Mr Hefley predicted hard arguments over how the Bosnia mission would be paid for. The funding is likely to become intertwined with the broader impasse over the 1996 US budget, which Mr Clinton was to discuss with congressional leaders before leaving for Europe last night.

Opinion polls gave contradictory signs about Bosnia. A telephone survey by CNN and USA Today found on Monday night 46 per cent in favour of deployment and 40 per cent against it, compared with 49:47 against deployment in a similar poll two weeks earlier.

The Monday night poll found 30 per cent of those who watched Mr Clinton's speech were more likely to support the Bosnia mission, and 9 per cent were less likely to do so. But the latest poll by CBS found a 58:33 majority against troop deployment.

Brazil plans partial telecoms sell-off

By Angus Foster in Brasilia

Brazil yesterday announced an ambitious programme to modernise and partly privatise its huge telecommunications system, which the government said would need 75bn Reals (\$50bn) of new investment over the next nine years.

Mr Sérgio Motta, communications minister, said the new policy would "irreversibly declare free and open" Brazil's telecommunications sector. He said the state-controlled Telebras, which had a monopoly on telecoms services until earlier this year, would eventually become five or six "baby-brands" and prepared for privatisation.

As the first step, the government yesterday sent to Congress a bill to let private sector involvement in areas such as cellular phones and satellite services. Separate rules, also announced yesterday, seek to modernise the bidding for these services, now awarded free by presidential decree.

The new rules are to make the bidding more transparent and award services to the highest or best qualified bidder. Mr Motta said he hoped Congress would approve the changes rapidly, and that the first concessions could be put to tender in the first half of next year. In an apparent reversal of efforts to open other sectors of the economy to equal foreign competition, the newly

granted concessions will only be available to companies in which at least 51 per cent of shares belong to Brazilians.

Mr Motta said that, by February next, the government would send to Congress a new regulatory and legal framework for the whole telecommunications sector. The Telebras monopoly, lifted by a constitutional amendment, meant the government never had to worry about regulation or competition policy. Private competition against Telebras is unlikely to win Congressional approval until new regulations are drafted to provide protection to the state-controlled company.

One foreign executive welcomed yesterday's announcements, which had

been expected, but pointed out that opening a telecommunications sector as large and complex as that of Brazil was likely to take longer than the government or foreign investors hoped.

The government's 75bn Real investment target included an unstated portion of private investment in newly opened areas such as cellular phones. Mr Motta announced targets to triple the number of fixed telephone lines to 40m by 2003 and to increase the number of cellular links from 800,000 today to 8.2m by 1999.

He also predicted rapid growth from such services as pay television, which in Brazil have lagged behind those in other South American countries.

Pinochet shows old soldiers never die

But they risk being an expensive anachronism in modern Chile, reports Imogen Mark

Immaculate in his white summer uniform, Gen Augusto Pinochet, Chile's former dictator, has just celebrated his 80th birthday. He has been hailed by comrades-in-arms and had phone calls and telegrams from, among others, Lady Thatcher, former prime minister of Britain, and President Carlos Menem of Argentina.

In August, the general celebrated his 22 years as commander of the army, a post he does not plan to relinquish until he is constitutionally obliged, in March 1998. The two democratic governments which have succeeded since the general's 17-year rule ended in 1990 have had to live with his continuing presence and political influence in national life.

What has been much less questioned is the impact of the old general's presence and influence in defence, even though it represents a substantial slice of public spending.

The total defence budget for 1995, at the equivalent of \$1.9bn (£1.2bn), represents 2.8 per cent of Chile's gross domestic product. The total includes \$316m this year in hard currency for acquisitions, which is drawn from a special 10 per cent "defence tax" on the sales revenues of Codelco, the state copper company.

Chile's defence spending is above average for Latin America, where the proportion was less than 2 per cent at the beginning of the 1990s. Spend-

ing in the rest of the region has been falling since then, according to Mr Eduardo Santos, a defence analyst and adviser to the Chilean ministry of defence.

The armed forces repre-

which goes on pensions is one example: 40 per cent of the total, says Senator Jaime Garmuri, a member of the Senate defence commission.

The military excluded itself, on the grounds of national

early in the army, which has a large conscript base of about 25,000 and almost as many officers, including NCOs.

This is a legacy of the mid-1970s, when the army feared attack on two fronts. One

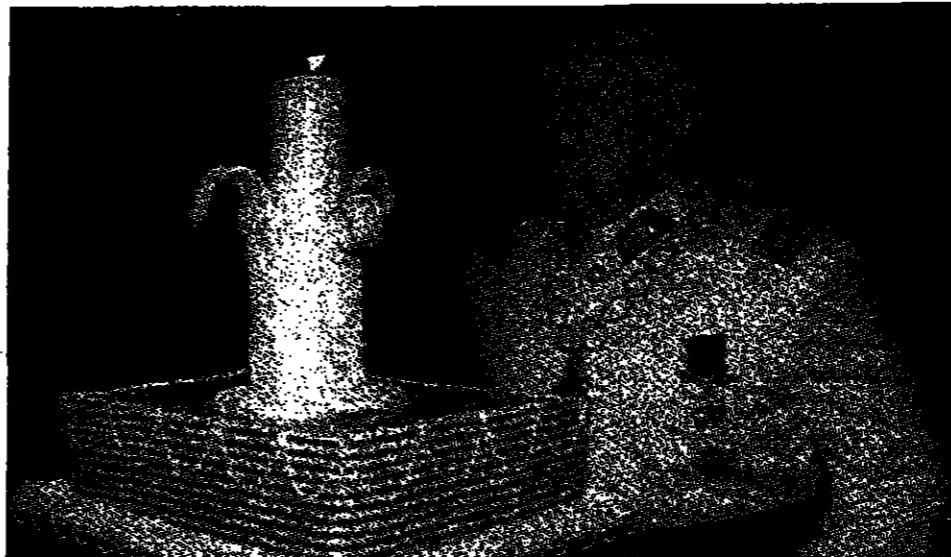
plus an extra 3.5 per cent increase in improved health services for it. The rest of the public sector got a flat 11 per cent rise.

Government attempts to tie wages to some rationalisation of the services have been firmly resisted by the military. However, Gen Pinochet appears to be aware of the need for change. Last year, he announced a Plan Alczar, a six-year plan for modernisation by 2000. A copy has only recently reached the defence ministry, though Gen Pinochet has made several speeches outlining the main points. They have concentrated on training, new equipment and welfare improvements, but did not mention personnel cuts or other rationalisations.

The navy and the air force have been much more rapid in their modernising, according to Mr Santos. The navy is advanced technologically, he says, and the air force in good operational shape. But the overall defence budget needs to be restructured - to increase the air force share, for example.

There is also little co-ordination among the three services, with no centralised strategy for acquisitions, training or planning.

While Gen Pinochet remains at the head of the army, however, neither he nor his officers will accept any questioning of their role. But, until that does occur, the armed forces risk becoming an increasingly expensive anachronism.



A big blow from a veteran: Gen Pinochet tackles his 80th birthday cake

ing one of the few areas of the public sector not cut drastically under the military government and not reviewed subsequently. They now take 30 per cent of the public sector wage bill. Before relinquishing power, the military legislated so that no government can touch its budget, let alone question its spending.

The proportion of the budget

security, when the rest of the Chilean workforce changed from a public to a private pension scheme in the early 1980s. So armed forces members can still retire, after a minimum of 20 years of service, on pensions 30 per cent higher than for equivalent civilians.

Another structural distortion occurs in the proportion of officers to enlisted men, particu-

potential enemy was Peru, which still bears grudge over territory lost to Chile in the 19th century. The other was Argentina, with which Chile came near to war in 1978 over a claim to islands in the Beagle Channel, far to the south.

Meanwhile, the Chilean finance ministry recently agreed to a 14.5 per cent real wage increase for the military,

Consumer confidence data raise retail spending hopes

By Michael Prowse in Washington

US consumer confidence registered a solid gain this month, indicating that retail spending during the Christmas season could be stronger than expected, figures showed yesterday.

The Conference Board, a New York business analysis group, said its confidence index rose to 101.4 against 96.3 in October. Readings above 100 have historically been associated with vigorous economic growth.

Separately, the Commerce Department said housing starts fell 3.7 per cent in October to a

seasonally adjusted annual rate of 1.34m, the lowest level since June. For the year to date, starts are down 8 per cent from the same period last year.

The confidence survey indicated that US consumers expected economic conditions to improve following a pause in growth earlier this year; the proportion saying business conditions looked good rose to nearly 27 per cent from 24 per cent last month.

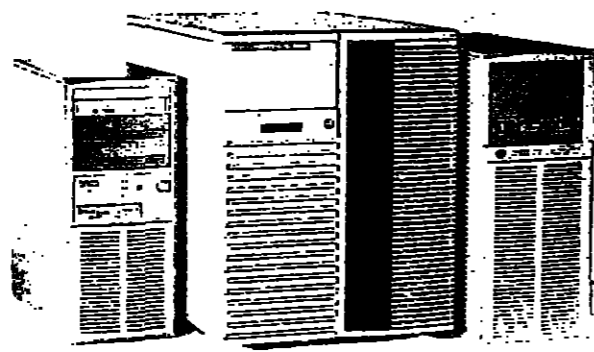
"This latest rise in confidence suggests that holiday spending could be reasonably lively," said Mr Fabian Linden, director of consumer research at the board.

Mr David Munro, chief econ-

omist at High Frequency Economics, a New York consultancy, said the latest figures indicated the economy was growing at about its long-term potential of 2.6 per cent a year. He said reports on retail prospects were mixed but predicted consumer spending during the Christmas period would increase by about 3 per cent in real terms from last year.

The decline in housing starts was concentrated in the mid-west where starts fell 8.9 per cent from October. However, building permits - a guide to future construction trends - rose 5 per cent in the region, indicating that softness in starts may be short-lived.

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"FIRST PLACE FOR PRICE/PERFORMANCE, SHARED SYSTEMS MIX FOR SYSTEMS UNDER \$50K. PRICORIS XL SERVER 5100DP" AIM Technology, Hot Irons award, September 95

"IT'S HARD TO BE IN BUSINESS, BUT DIGITAL'S PRICORIS IS JUST WHAT IN THE MARKET NEEDS." Computerworld, Weekly, July 24, 1995

"FIRST PLACE FOR BEST THROUGHPUT, FILE SERVER MIX FOR SYSTEMS UNDER \$50K. PRICORIS HX 5100DP." AIM Technology, Hot Irons award, September 95

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CN

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Canadian National Railway Company has offered to purchase any and all of its outstanding Notes of each issue listed below. The price for each issue will be the price per \$1,000 principal amount resulting from a yield equal to the sum of (i) the bid yield of the Reference Canadian Bond for each issue of the Notes listed below (as quoted by ScotiaMcLeod Syndicate in accordance with standard market practices at the time the holder of any Note agrees to tender such Note) plus (ii) the fixed spread for each issue of the Notes listed below (such price being rounded to the nearest cent per \$1,000 principal amount of Notes), plus the amount of accrued interest from the last regular payment of annual interest up to, but not including, the date of payment of the purchase price, which shall be the third Canadian business day following the date on which the holder of any note agrees to tender such Note.

Issue	Amount Outstanding	Reference Canadian Bond	Fixed Spread	Illustrative Price per \$1,000 ⁽¹⁾
9 3/4% 10 Year Notes due October 1, 1996	\$100,000,000 Cdn	7 3/4% due September 15, 1996	25 basis points	\$1,023.32 Cdn plus accrued interest
8 1/4% 5 Year Notes due July 21, 1997	\$200,000,000 Cdn	7 1/4% due July 1, 1997	25 basis points	\$1,025.80 Cdn plus accrued interest
7 1/4% 5 Year Notes due May 19, 1998	\$150,000,000 Cdn	6 1/4% due February 1, 1998	25 basis points	\$1,016.83 Cdn plus accrued interest
10% 7 Year Notes due October 23, 1998	\$150,000,000 Cdn	6 1/2% due September 1, 1998	25 basis points	\$1,079.12 Cdn plus accrued interest
9 1/4% 7 Year Notes due May 14, 1999	\$150,000,000 Cdn	5 3/4% due March 1, 1999	25 basis points	\$1,076.88 Cdn plus accrued interest

(1) The illustrative price indicated is for information purposes only and does not include accrued interest. The exact price and accrued interest will be determined at the time of tendering. The illustrative pricing was calculated based on the yield of the Reference Canada Bond as of the close of business in Montreal on November 23, 1995 with settlement on November 28, 1995.

Canadian National Railway Company will defease any Notes of the above-described issues which will not have been purchased in accordance with this tender offer by December 31, 1995; principal and interest on unpurchased Notes will therefore be made when due.

Noteholders or their agents may ascertain each of the purchase prices applicable at a particular time by contacting the Dealer Managers at the telephone numbers listed below. Noteholders may contact the institution from which they originally purchased the Notes or the institution they normally deal with, to tender to the offer.

This tender offer expires at 5:00 p.m., Montreal time, Friday, December 15, 1995.

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James Ashwarden
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Dan Barclay
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40 King Street West
Toronto, Ontario
M5W 2X6
416-863-7776

David Winterburn
BMO Nesbitt Burns International Ltd.
3, Queen Victoria Street
London, England
EC2N 8NT
44-171-236-3462

November 29, 1995

مكتبة الامير

Canada and Mexico may offer Chile deal

By Bernard Simon in Toronto, Imogen Mark in Santiago and Nancy Dunne in Washington

Canada and Mexico are considering ways to extend parts of the North American free trade agreement to Chile if the US Congress fails to clear the way within the next few weeks for full Chilean membership of Nafta.

The three Nafta partners are currently negotiating Chile's accession, with a target implementation date of January 1, 1997. However, the Republican majority in the US Congress has so far blocked the Clinton

administration's request for fast-track negotiating authority, which would provide for congressional approval without time-consuming amendments.

Chile's bid to join Nafta is not expected to be revived before late 1997 if Congress fails to approve the fast-track process by the time it adjourns in mid-December, as appears increasingly likely.

The Clinton administration has been unable to push a fast-track deal through the House of Representatives. Mr Robert Dole, Senate majority leader and the front-running Republi-

can candidate for next year's presidential election, has sought to win over his party's right wing by ruling out any new trade liberalisation moves for the time being.

Mr Roy MacLaren, Canada's trade minister, said: "I'm ready to explore with Chile whether we couldn't agree on a bilateral or trilateral agreement which would be fully consistent with Nafta, and to which the US could subscribe once fast-track becomes possible."

The issue was discussed during a meeting of trade ministers from mid-sized economies in Vancouver last week. Mr Alejandro Jara, deputy leader of Chile's Nafta negotiating team, said the three countries agreed "to engage in further conversations in the near future."

The Canadians have a "bridging" arrangement in mind that would be less comprehensive than full Chilean accession to Nafta, but would cover items of interest to the three countries until Washington rejoins negotiations.

Trade between Canada and Chile amounted to a relatively modest C\$338m in the first half of this year. But Canada

is one of the biggest foreign investors in Chile, and Ottawa is keen to conclude a foreign investment protection agreement, mirroring similar provisions in Nafta. In addition, Canadian exporters have shown interest in gaining easier access to a number of specific Chilean sectors.

The "bridging" arrangements, which could come into force as early as mid-1996, would not involve any new deals between Canada and Mexico, whose trading relationship is governed by Nafta. The US would be kept informed of talks with Chile.

Chile and Mexico are exploring the possibility of upgrading their 1991 bilateral free trade agreement to include new areas like services and technical barriers to trade, as well as a dispute settlement mechanism. Mr Jara said that a bilateral agreement with Canada seems more feasible than a more complex trilateral accord.

The bridging arrangements would be based on extensive preparatory work done for the Nafta talks, which have recently moved into what one official called "the hard substance".

WORLD TRADE NEWS DIGEST

Smooth lift-off for Long March

A Chinese Long March 2E rocket carrying the AsiaSat-2 communications satellite yesterday successfully lifted off from south-western China. The \$200m AsiaSat-2 is the first commercial satellite launched from China's main launch centre since an Apstar satellite exploded aboard a Long March 2E rocket in January. China and the manufacturer of the satellite, Hughes Space and Communications, blamed windshear for the disaster.

AsiaSat-2, a Lockheed Martin 7000-series, carries the Asian expansion ambitions of Star TV, owned by Mr Rupert Murdoch's News Corporation. Associated Press's television arm APTV, Portugal-based Marconi Global Communications, Worldwide Television News (WTN), Hongkong Telecommunications, Germany's Deutsche Welle, Pacific Century Group and Malaysia's TIME Telecommunications owned by Renong Group of Malaysia have also booked transponders.

AsiaSat is owned equally by Hong Kong's Hutchison Whampoa, China International Trust and Investment Corp (Citic) and Cable and Wireless. *Reuters, Hong Kong*

Toyota silent on Indiana link

Toyota, Japan's biggest car manufacturer, yesterday declined to comment on rumours it is poised to announce plans to build an assembly plant for pick-up trucks in Indiana. The company already has operations in the US, including a car assembly plant in Kentucky.

According to press reports, the new plant would cost around \$1bn and raise Toyota's north American production to about 1m vehicles a year.

The company, which last year built more than 370,000 cars in the US and Canada and a further 250,000 via a joint venture with General Motors in California, has said it plans to increase US capacity as part of globalisation. *Haig Simonian, London*

Aircraft engine joint venture

Rolls-Royce of the UK and the Hong Kong Aircraft Engineering Company (Haseco), part of the Swire group, have formed a joint company to overhaul aircraft engines in the Asia-Pacific. The joint company, to be called Hong Kong Aero Engine Services (Hasec), has concluded a long-term agreement to service Rolls-Royce engines for Cathay Pacific Airways, also owned by Swire.

The joint company will service Cathay's Rolls-Royce engines on its Boeing 747s and Airbus A330s. Rolls-Royce will pay Haseco \$20m as its contribution to the joint venture which will start at the beginning of 1997. *Michael Skapinker, London*

Contracts and ventures

Westinghouse Electric of the US has formed a joint venture in China to provide services for commercial nuclear plants. The venture, Wuhan Huixin Engineering Technology, involves investment of \$8m. China Research Institute for Nuclear Service Operation, owns 52 per cent of the venture established in the city of Wuhan. *Reuters, Beijing*

GEC-Alsthon has won a \$24.1m (\$34.1m) contract to deliver signalling equipment for a 14km underground rail line in Kuala Lumpur. The joint venture of Alcatel Alsthon and GEC said it had already delivered a similar system there as well as the train operation system. *Reuters, Bonn*

Bouygues of France has won a FFY250m (\$51.3m) contract to build two bank offices in Warsaw shared by Citicorp unit, Citibank, and Bank Rozwoju Eksportu. The buildings should be completed by end-1997. *AFX News, Paris*

WTO sets up last part of legal framework

Frances Williams explains the aims of the appellate body in giving teeth to the complaints procedure

The dispute settlement body of the World Trade Organisation is today and months of wrangling by announcing the names of the seven members of the WTO's appeals tribunal.

The appellate body, as it is formally known, is intended to make the 11-month-old organisation an effective and credible guardian of compliance with fair trading rules. It will be officially established in mid-December and will be the final plank of the WTO's semi-judicial dispute settlement procedure.

The new procedure is more rapid, more automatic and more enforceable than its predecessor in the General Agreement on Tariffs and Trade. What is most important, countries can no longer block an adverse ruling by an independent WTO dispute panel. Instead, they have the right of appeal - but the appellate body's judgment will be binding. Countries that refuse to comply will be subject to authorised trade sanctions.

The crucial role of the appeals body as the final arbiter of trade disputes had the effect of politicising the selection of judges. The European Union and the US were eventually forced to back down from their original demand for two seats each, but proceedings were then delayed by an equally unsuccessful demand by EU ministers for a "rebalancing" to reduce the alleged bias

PANEL INVESTIGATIONS UNDER WAY (with date of establishment)

- Venezuelan and Brazilian complaints over US pollution standards for petrol (April 1995)
- Canadian complaints over French labelling for scallops (July 1995)
- Peru and Chile complain too (October 1995)
- EU, Canada and the US complain Japan's liquor taxes discriminate against imports (September 1995)
- Canadian complaint over EU cereal import duties (October 1995)

DISPUTES AT CONSULTATION STAGE (with date of filing)

- US complaint over South Korean inspection and testing procedures for agricultural imports (April 1995)
- US, Guatemala, Honduras and Mexico complaint against EU's banana import regime (September 1995)
- India complains over Poland's preferential treatment of EU car imports (September 1995)
- Thailand complains against EU rice tariffs (October 1995)
- Canadian complaint over a ban on salmon exports to Australia (October 1995)
- Canadian complaint concerning South Korean standards and labelling rules for bottled water (November 1995)

DISPUTES SETTLED

- Singapore's complaint against Malaysia's restrictions on petrochemical imports, later rescinded
- US complaint against South Korea's regulations on shelf-life for food products, which Seoul agreed to change
- EU charge that a US-Japan deal on procurement of telecommunications equipment discriminated against third-party suppliers. Japan supplied the necessary reassurances that it did not
- Japan's complaint over US threat of trade sanctions in dispute over cars and car parts, withdrawn after dispute settled

towards the Asia-Pacific region.

Last week they grudgingly accepted defeat, only to warn that the issue would be revisited at the WTO's ministerial meeting in Singapore in December next year. The seven part-time judges, three of whom will hear each appeal, are lawyers, academics and trade diplomats from Egypt, Germany, Japan, New Zealand, the Philippines, the US and Uruguay.

Their services could be in demand from early next year when the first panel set up under the new dispute settlement system last April - on complaints by Venezuela and Brazil that US pollution standards for petrol discriminate against their exports - is due to report its findings.

In all, nine disputes are currently the subject of panel investigations. Another seven are at the consultation stage which gives the parties 60 days to reach an agreed solution.



WTO chief Renato Ruggiero

Important features of the new system have yet to be tested, notably the compliance of offending countries with panel and appellate body rulings. This in turn will partly depend on the quality of the jurisprudence and the ability of the WTO to build up a consistent body of case law based on the tighter world trade rules negotiated in the Uruguay Round.

However, some broad conclusions can be drawn from experience so far. One is that countries are making more use of

the new system than the old. Some 20 disputes have been brought to the WTO since its creation in January, far more than in any year of Gatt's 47-year existence.

Of the 16 disputes still in play, 15 involve one or more of the top four traders - the US, EU, Japan and Canada. The US is a complainant in five and a defendant in two (both on petrol standards). The EU is a complainant in one and a defendant in seven, three relating to labelling of scallops, three to import tariffs on cereals, and one on banana import restrictions brought jointly by the US, Guatemala, Honduras and Mexico.

Japan is a defendant in three separate cases brought by the EU, the US and Canada over its allegedly discriminatory alcohol taxes which were faulted in a 1987 Gatt panel report. Canada has brought two complaints.

The WTO's ability to enforce trade judgments has also prompted developing countries to make more use of the dispute system - launching eight complaints so far, including two against the US and four against the EU. Under Gatt procedures, by contrast, powerful nations could ignore panel rulings with impunity and frequently did. Thus the EU brushed aside two Gatt panels which called for changes to its banana import regime.

Better WTO rules have also generated more complaints,

especially on food safety standards where Gatt rules were hopelessly vague. Four cases have come to the WTO alleging the use of food safety regulations as disguised protectionism, three of them directed at South Korea.

Last, the fact that decisions are binding is a deterrent against complaints going further than they need to, argues Mr Renato Ruggiero, WTO director general. Four complaints have been settled "out of court", including Japan's case against threatened US sanctions in their car dispute. "That is the objective - to resolve trade disputes quickly, not primarily to generate jurisprudence," Mr Ruggiero says.

Nevertheless, Washington's refusal to take its grievance over access to Japan's market for cars and car parts to the WTO marks the system's most signal failure so far.

Washington's apparent readiness to flout WTO rules in imposing unilateral trade sanctions on Japan took the fledgling organisation to the brink of crisis before the two sides reached agreement in June.

Moreover, trade officials fear a repeat performance next year over charges by Kodak of the US that Japan's Fuji has used restrictive business practices.

This case, like the car dispute, revolves around alleged anti-competitive behaviour for which the WTO, as yet, has no rules. Putting this right has become a priority.



NEWS: INTERNATIONAL

Day of protest underlines a threat to economic growth

South Africans take to the streets against rising crime

By Roger Matthews
in Johannesburg

Rallies and marches are to be staged throughout South Africa today to protest at the worsening crime rate which, according to Mr George Fivaz, the national police commissioner, is threatening to tear the country apart.

President Nelson Mandela, together with other political, civic and religious leaders have given their support to the day of protest, orchestrated by the Rhema Ministries, a charismatic church which claims to have the largest non-racial congregation in South Africa.

At noon all South Africans have been asked to go on to the streets to observe a minute's silence in a repeat of the day in September, 1993, when millions demonstrated for an end to the political killings which threatened the following year's first fully democratic elections.

The World Health Organisation has identified the South African murder rate as one of the world's highest, but with a decrease in political violence

since last year the focus has shifted increasingly to rapes, assaults, and crimes against property, particularly car theft and vehicle hijackings.

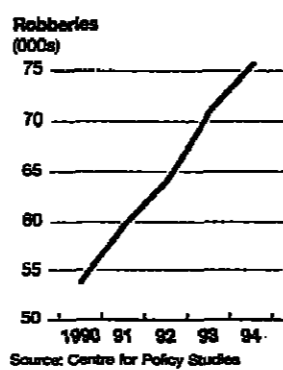
During campaigning for this month's local elections, Mr Mandela reminded a predominantly white audience that blacks were the main victims of crime, and in many parts of the country some 80 per cent of police resources were used to protect the white communities.

Candidates for the African National Congress, campaigning under the slogan "tough on crime, tough on the causes of crime", emphasised that with unemployment officially running at more than 33 per cent

and even higher among blacks, the long-term solution to the problem had to be through generating faster economic growth, and particularly labour-intensive industries, such as tourism.

Concern about the crime level is one of the main issues raised by trade delegations visiting South Africa this year, and ministers accept it is a contributing reason to the only modest increase in foreign cap-

South African crime



ital investment since last year's elections.

A survey carried out by the Centre for Policy Studies in Johannesburg has suggested that, because of poor statistics and a reluctance by some victims to report crimes, the upward trend might be sharper than it appeared.

Mr Fivaz said 110,000 vehicles were stolen last year, an increase of 30 per cent. There has been a particularly sharp rise in armed hijackings, sometimes accompanied by

extreme violence, with criminals becoming increasingly confident and operating in the centre of Johannesburg during the day. Earlier this week residents in the mainly white northern suburbs blocked rush hour traffic to protest at killings that accompanied car hijackings in their area.

Local authorities in Johannesburg said yesterday they had begun setting up special committees to deal with the spate of planning applications from groups of home owners, up to 600 strong, seeking permission to build a common security wall around their properties, with just one entry point manned by armed guards. There are also moves by residents to set up their own security forces to patrol individual areas.

Private security companies, which also provide an immediate armed response when burglar alarms are activated, have mushroomed in recent years with more than 2,700 companies, now estimated to be employing around 200,000 people, with a turnover last year of more than R1.5bn (\$411m).



Former US President Jimmy Carter listens to a speech by Egypt's President Hosni Mubarak at the opening of a conference in Cairo yesterday to try to resolve the conflict between Hutus and Tutsis in Rwanda and Burundi. Mr Mubarak said presidents from Burundi, Rwanda, Uganda and Zaire could lay the groundwork for peace. One million have died in ethnic conflict in Rwanda and at least 100,000 in Burundi. There are 3m refugees, 2m of them in Zaire. Ugandan President Yoweri Museveni and President Mobutu Sese Seko of Zaire have been the driving forces behind the meeting, motivated by the effects the Hutu-Tutsi conflict has had on their own countries.

'Euro-Med' talks pledge era of peace



European and Mediterranean nations pledged a new era of peace and prosperity in a Barcelona Declaration adopted yesterday after last-minute wrangles over Middle East disputes, Reuter reports from Barcelona.

The 27-member Euro-Mediterranean conference ended nearly three hours late after ministers found a way around Arab-Israeli issues concerning terrorism, nuclear weapons and self-determination.

"The declaration has just been adopted, I congratulate you on your good work," Mr Felipe Gonzalez, the Spanish prime minister, told foreign ministers from the 15 European Union states, 11 east and southern Mediterranean countries and the Palestinian Authority. "It represents the culmination of ancient aspirations and the start of a new relationship," he said.

Mr Salah Dendri, Algerian foreign minister, said on behalf of Arab states that the agreement was a landmark on the road to fairer relations between the rich northern Mediterranean states and their poorer southern neighbours.

Sitting directly across the oval table, Mr Ehud Barak, Israel's foreign minister, applauded him enthusiastically. The declaration called for a regular political dialogue, enhanced EU economic aid to Mediterranean states, co-operation to control migration, crime and drugs and the prospect of a free trade area for industrial goods in the year 2010. It included references acceptable to Israel on the right to self-determination, nuclear non-proliferation and the fight against terrorism, although in a letter to the Spanish chairman, the Israelis said the issues had no place in such a forum.

Ministers said Syria, Lebanon and the Palestinians made oral statements in the closing session dissenting from some wording on Middle East issues but none had entered a formal reservation.

Mr Javier Solana, the Spanish foreign minister, refused to accept any further amendments to a text worked out in hours of backroom negotiation.

His diplomatic success could boost an undeclared campaign to make him the next secretary-general of Nato.

"The conference wasn't aimed at discussing the (Middle East) peace process," Mr Gonzalez said earlier. But perhaps the most enduring image of Barcelona will be the public exchange of goodwill gestures by Syrian Foreign Minister Farouq al-Shara and Mr Barak on Monday at the first multilateral forum in which Syria and Lebanon have sat alongside Israel.

Diplomats said that in the drafting negotiations, Syria had sought to distinguish between terrorism and "legitimate freedom fighting" and foiled a call to hold the next Euro-Mediterranean conference at summit level in an Arab capital. Instead, the declaration said the next meeting of foreign ministers would take place in 1997 in one of the 12 east and southern Mediterranean partners, fixing no location.

The biggest incentive to reach consensus in Barcelona was an EU pledge of \$6bn in aid for education and structural projects over the next five years.

The historic first meeting between the Mediterranean's rich and poor had been billed as marking a turning point for a region with huge social and political problems that threatened to spill across to Europe in the form of mass migration and violence.

"Prosperity and stability go hand in hand. This must be the main message to go out from this conference," Mr Malcolm Rifkind, Britain's foreign secretary, told a round-table on economic issues. He told Mediterranean nations, many of whose economies remain under state control, that the route to growth lay via greater economic liberty and a vigorous private sector.

The European Union and its 12 Mediterranean partners - Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey - agreed to hold a series of sectoral meetings next year on politics and security, economics and trade, and cultural and human affairs.

INTERNATIONAL NEWS DIGEST

Algerian army general killed by gunmen

Gunmen have killed an Algerian army general, an official close to the security forces said yesterday, in the first big attack since the presidential polls 12 days ago.

Gen Mohamed Bouteghan was killed on Monday evening in the luxurious Hydra suburb of Algiers by young men who had trailed him, the official added.

His killing came nearly eight hours after President Liamine Zerrouk took the oath of office in a ceremony attended by about 500 dignitaries, including army leaders.

The general, who was believed to be the commander of Algeria's military coast guard, was the most senior army officer to be killed in the country's four years of civil strife.

Up to 50,000 people have been killed in Algeria's violence since early 1992 when authorities scrapped a general election which Islamic militants had been poised to win.

The 53-year-old Gen Bouteghan was shot dead in a neighbourhood where several embassies are located on the heights overlooking the Algerian capital. The official did not know why the general was in the suburb, where many senior officials and officers once lived before the violence erupted.

Many luxurious villas in Hydra are now closed as rich foreigners have left the north African country and senior officials and officers moved to more secure locations such as the coastal resort of Sidi Fredj, outside Algiers, residents said.

Diplomats and analysts have been expecting Muslim guerrillas to strike to show they are still a force to be reckoned with despite the elections setback. Reuter, Paris

Tunis sees worse budget deficit and balance of payments gap

Tunisia said yesterday its budget deficit and balance-of-payments gap should worsen in 1996 as it implements a free trade zone and reduces import duties.

Mr Hamed Karoui, the prime minister, told parliament the balance of payments deficit should rise to about TD770m (\$823m), up from 697m dinars in 1995.

He said the net budget deficit is put at TD385m, representing 2 per cent of the gross domestic product. The deficit is estimated at TD276m in 1995, or 1.5 per cent of GDP.

"This situation calls for more vigilance during the next year, all the more because our country is to open up increasingly to the external world and will face increasing competition on the world economic scene," Mr Karoui said.

The prime minister said that in 1996 Tunisia would start implementing a free-trade zone accord with the European Union and would bring its economy in line with the General Agreement on Tariffs and Trade, which means the progressive dismantling of customs barriers and reduced income from taxes.

The government budget for 1996 would be TD7.2bn, an increase of 9.6 per cent over 1995, he added. GDP growth for 1996 is forecast at 6.7 per cent at constant prices, up from a 3.5 per cent growth rate this year.

Forecasts for 1996 are based on a hypothetical 12.5 per cent increase in agricultural production, which dropped an average 2.1 per cent per year between 1992 and 1995 because of drought. Reuter, Tunis

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NEWS: UK

GM components offshoot creates 650 jobs

By John Griffiths in London

Contracts to supply UK carmakers are creating 650 jobs at two subsidiaries in the English Midlands of Delphi Automotive Systems, the components manufacturing arm of General Motors of the US.

The contracts are to supply wiring and other assemblies for Rover Group's new 200 hatchback and MG sports cars, as well as GM's own new Vauxhall/Opel Vectra. They form part of an effort by Delphi's UK operations to double UK component sales to \$500m a year by the end of the decade.

Trade unions at GM's Vauxhall car manufacturing subsidiary have postponed for a week a planned overtime ban due to begin today, our Employment Editor writes. The decision came after the company had pointed out that the unions' announcement of proposed industrial disruption was "technically flawed" under the law. The company's manual workers have rejected a package that includes a 3.5 per cent pay rise.

Delphi's companies in the UK were formerly best known under their now-discarded AC Delco name.

Some 350 of the jobs, which will be filled by the end of March, are being created at Delphi Packard Electric Systems in Coventry, which was opened in 1991 and now supplies wiring systems to Rover, Vauxhall/Opel, Saab

and IBC Vehicles. The plant is supplying the wiring harnesses to the Rover 200, MG and Vectra - all three of which have only recently entered production, with output set to climb sharply by March next year. When the models are fully on stream, the Coventry site will employ a total of more than 800 people.

The other 300 jobs are at an

all-new facility at Nuneaton, in which another subsidiary, Delphi Interior and Lighting Systems, has invested \$14m, with a further \$1m provided by regional selective assistance. The plant is providing seating equipment to the Vectra assembly lines at Luton, in which GM has invested \$18m to raise output to 215,000 Vectras a year.

Further growth is also in prospect early next year at another subsidiary, Delphi Chassis Systems at nearby Dunstable. That company is providing suspension parts for the Rover 200 and Vectra, according to Mr Alec Williams, Delphi's UK marketing manager.

Delphi's UK managers base their optimism about meeting a \$500m sales target within five years partly on the German components industry's increasingly hard struggle to remain internationally competitive in the face of the strong D-Mark and high labour costs.

This is leading even the German-owned carmakers Volkswagen, BMW and Mercedes-Benz to source many more of their components from the UK.

While still strongly dependent for its turnover on GM's Vauxhall car plants in the UK, Delphi's target is to expand its non-GM business to reach 50 per cent of turnover, said Mr Williams.

The parent Delphi group, known as ACG until early this year, is the world's biggest components supplier. It employs 172,000 people worldwide and has annual sales of \$36bn.

Brave heart launches battle for Scotland

James Buxton on the latest Tory initiative to upstage Labour's devolution plans

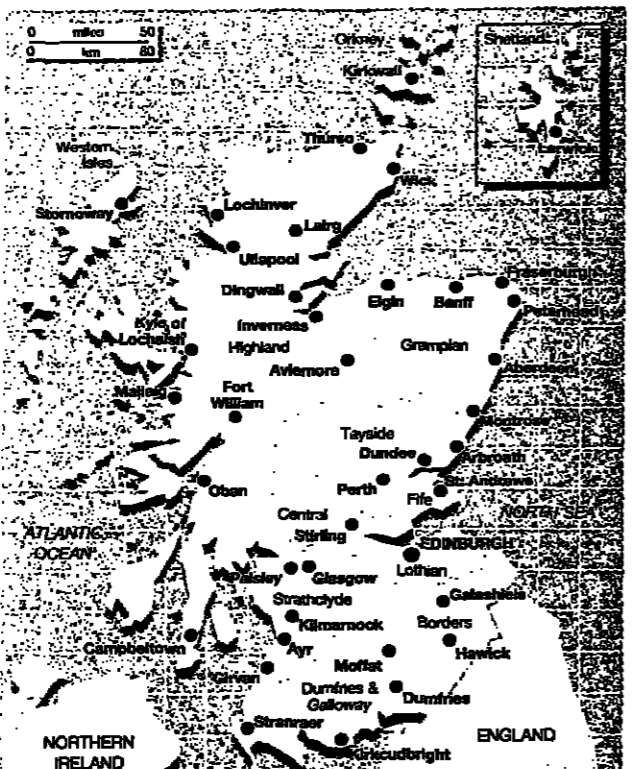
Mr Michael Forsyth, the new chief minister for Scotland in the British government, will today reveal to the House of Commons proposals which he hopes will reverse the opposition Labour party's plan for a separate Scottish parliament.

Tomorrow, St Andrew's Day, when Scots remember their country's national saint, he will raise the stakes further with a speech in Glasgow in which he may amplify or add to what he says today.

He expects to upstage a long-planned ceremony in Edinburgh at which the Scottish constitutional convention, a body dominated by Labour and the centrist Liberal Democrat party, formally endorses the blueprint for a Scottish legislature it has been working on since 1980.

The convention's scheme, which Labour has adopted, is for a 129-member parliament in Edinburgh which would assume responsibility for matters at present administered by the Scottish Office. Its income would come from Westminster, but it would be able to levy an extra 3p on the basic rate of income tax.

With Labour widely expected to win the next UK general election, most people in Scotland believe a Scottish parliament will be established early in the new government's term. Opinion polls consistently show that around 45 per cent of Scots want it, with about 35



More to Scotland than Edinburgh: a greater role for the Scottish grand committee would see it meeting in other cities

per cent desiring full independence and only 30 per cent preferring the status quo.

Mr Forsyth intends to blunt the devolutionist cause by proposing measures which might make a Scottish parliament

seem unattractive or unnecessary.

Mr Forsyth, an ardent unionist, believes Scotland would lose its influence in London if it had its own parliament, especially if the post of Scottish

secretary were downgraded or abolished. The number of Scottish MPs at Westminster would be reduced, he believes, and Scotland would be damaged by the "3p tax".

Mr Forsyth has unleashed a whirlwind of activity since he became Scottish secretary in July. He returned to Scotland recognising that he had a reputation for being abrasive and aggressive. This dated from his period as a Thatcherite minister and a disastrous chairman of the Scottish Conservative party during the last parliament.

He has shown that in many respects he is a different man, determined to listen and displaying an affability which few had seen before, though he is no less sharp than before in scoring points off Labour.

He astounded people in the Highlands by urging landowners to hand over their own land to crofters who live and work on it.

Yet impressive as this activity and openness has been, substantive achievements are so far few, and the Tories' popularity has only marginally increased. They stand at 13 per cent in the Scottish opinion polls, only two points above where they were when Mr Forsyth became Scottish secretary. In 1992 they won 26 per cent of the vote.

Mr John Major, the prime minister, a passionate opponent of devolution for Scot-

land, backs Mr Forsyth's constitutional initiative, and has acknowledged publicly a need to make Scots feel less remote from government.

Mr Forsyth is expected to announce a greater role for the Scottish grand committee, on which all 72 Scottish MPs sit. Since last year it has begun meeting occasionally in Scottish cities other than Edinburgh and has considered non-controversial bills. It could be given more power, although if it were allowed to vote on legislation the government might be defeated.

Mr Forsyth is also likely to propose relaxing controls on the new unitary Scottish local councils which come into existence next year, possibly allowing them greater autonomy from the Scottish Office or even easing limits on their spending and their revenue-raising powers.

Such a relaxation of power could, Mr Forsyth hopes, make people question the need for a Scottish parliament, and might restrict its freedom of action if one were to be set up.

The fact that most of the new councils will be controlled by Labour makes it a delicate issue for that party, which Mr Forsyth doubtless realises.

It may be that what Mr Forsyth offers will be too little too late. But a man who in the last general election had a majority of only 708 in his Stirling constituency has little to lose.

Murdoch channel in \$195m soccer deal

Sky Television, the satellite broadcaster controlled by Mr Rupert Murdoch, yesterday sealed a \$195m (\$195m) deal with the Football League, giving the satellite station a virtual monopoly on TV soccer coverage in England, agencies report from London.

The five-year deal beginning with the 1996-97 season focuses primarily on the First Division - the level just below the Premier League - but also covers the Second and Third Divisions of the league, which is sponsored by insurance company Endeligh.

The agreement could mean a \$1m windfall for First Division clubs and smaller amounts for other teams, a cash infusion which would be described as a "lifeline" by league president Mr Gordon McKee.

"It will increase their revenue and raise their viability at a crucial time," he said.

The prospect of a cash share-out from the League's record deal, allied to extra advertising from live matches, will almost certainly ease the threat of the leading First Division clubs breaking away to form a second division of the Premier League.

"This agreement is the most important ever secured by the Football League and assures us of our autonomy," added Mr McKee. All the English clubs will meet in London next month to decide distribution details of the Sky cash.

The deal, which will fuel renewed controversy about Sky's domination over the sport, means there will be football on satellite television virtually every day during the English playing season.

The agreement calls for live coverage of up to 60 games starting next season, mostly from the First Division. It also includes at least one live tie from each round of the Coca-Cola Cup - the second major knock-out trophy - and exclusive coverage of the final.

Sky already has a long-term contract to cover Premier League games on Sundays each season, as well as some FA Cup games.

This deal gives Sky a foothold in all major English football competitions.

Sky landed the deal by beating offers from the Football Association and the Premier League. Earlier this month, the FA withdrew its \$120m offer after the league deferred a decision for the second time.

Mr Tim Crabbie, chairman of the Football Supporters Association, said: "By not having any matches on terrestrial television we will have difficulty attracting new fans to the game. Not everyone wants to buy a satellite dish."

"Television needs the game at the moment and perhaps the football authorities should dig in their heels a bit more and dictate what they want."

Ministers approve effort to sell missiles to Romania

By Bernard Gray, Defence Correspondent

British Aerospace is marketing some of its advanced weaponry to former Warsaw Pact countries, and is likely to win export licences for equipment destined for Britain's former enemies.

The most advanced negotiations are on the sale of BAE's Rapier air defence missiles to Romania, in a deal that could be worth \$30m to \$50m (\$3m). Ministers are expected to have given approval in principle for the sale if terms can be agreed between the company and the Romanian government.

Romania is thought to be

interested in the Rapier B1-X system, which is used by the British army and the Royal Air Force for defending airfields. It is a short-range anti-aircraft system and was used in the Falklands conflict with Argentina in 1982. The Rapier B1-X carries half the number of weapons of the latest 23th Rapier 2000 system and can engage only one aircraft at a time, but it can carry the latest agile missiles.

BAe and other western equipment manufacturers are keen to sell to former Warsaw Pact countries, while the central European states are interested in replacing their Soviet equipment for Nato standard

weapons. Many central and eastern European countries are interested in joining Nato, but their communications and air defence operations would have to be compatible. BAE has also had preliminary talks on Rapier with Hungary, Slovakia, Poland and the Czech Republic.

But a shortage of hard currency means that arms purchases will be limited. Cheaper air defence weapons, such as Rapier, and command and control systems are likely to be a priority.

Central European countries are also interested in the Saab Gripen light fighter as a cheap alternative to the Eurofighter.

Names' advocates elected to Lloyd's governing body

By Ralph Atkins, Insurance Correspondent

The hardest hit members of Lloyd's of London received a boost yesterday when two of their representatives won seats on the 300-year-old insurance market's ruling council.

The election of Ms Marie Louise Burrows, chairman of the Lime Street Names' Association, may cause concern among some of those working at Lloyd's because she is regarded as a particularly fierce advocate of the interests of lossmaking and litigating Names.

Names are individuals whose assets have traditionally supported the insurance market. Many of the worst hit Names are no longer underwriting, and that creates conflicts with others who are more interested in the long-term future of the insurance market.

Also elected yesterday was Mr Michael Deeny, the high-profile chairman and the Good Walker Action group, who last year successfully won damages running into hundreds of millions of pounds for the group's members.

Mr Deeny polled 2,521 votes and Ms Burrows 1,407.

The election of Mr Deeny and Ms Burrows means there are now three leaders of Names' action groups on the Lloyd's council. Mr Christopher Messer, chairman of the Janson Green action group, was already a member.

The increased voice that action group leaders now have on the council may increase the difficulties faced by Mr David Rowland, Lloyd's chairman, as he attempts to secure the market's future. It could encourage damaging arguments at council meetings, which are already lengthy.

Lloyd's council consists of six members elected by working Lloyd's Names, six elected by "external" Names, and six nominated members whose appointment is subject to confirmation by the Bank of England. The composition of the council means Mr Rowland can usually rely on a majority. Lloyd's wants to implement a recovery plan next spring including an out-of-court settlement offer currently worth \$2.5bn (\$4.36bn) to lossmaking and litigating Names.

Venture capitalists re-surface in N Ireland

John Murray Brown on a fund for the province's small and medium-sized businesses

Hambros, the UK bank, this month secured financing for the first new venture capital fund in Northern Ireland in more than 10 years.

The £10m (\$15.8m) fund, aimed at small and medium-sized businesses, is further evidence of the re-emergence of venture capital, which has been largely missing from Northern Ireland during the 25 years of the Troubles.

The appetite for new non-bank funding should be there; industrial activity in Northern Ireland is booming. But venture capital represents a change of culture for a region where the private sector has traditionally depended on government for credit.

"Northern Ireland companies are typically family run and very conservative. We want them to show a bit of the greed mentality which you see in mainland UK," says Mr Colin

Walsh, a native of Northern Ireland who returned from London to manage the Hambros fund.

In separate deals, ICC, a bank in Dublin, announced earlier this month that it was funding a management buy-out of a building materials company in the north - its first cross-border deal. In October BCO Technologies, a small US computer company based in west Belfast, signed a \$32m financing led by 3i, the venture capital group.

And in the most exciting prospect, a US-led \$20m fund is under consideration, headed by Mr John Cullinane, founder of the Cullinane computer group, linking Northern Ireland companies with US high-technology concerns.

Under the venture capital concept, a fund takes a stake of up to 40 per cent in a private company, injecting cash into

the balance sheet for expansion and product development while taking a non-executive board position.

Mr Richard Harding, head of corporate finance at the government's Industrial Development Board, says: "It's not just a source of money; venture capital is a catalyst for change. We would see the Hambros fund as having an important role in promoting the whole concept of venture capital."

The Hambros fund is 50 per cent financed by a commercial loan from Brussels and is one of a number of regional funds which the European Commission has supported with mixed success.

In Northern Ireland, the government has supported companies through grants or loans from the Industrial Development Board, which has a portfolio of about 500 larger companies while Leda, the local

UK NEWS DIGEST

Slaughterhouses rapped over health standards

The government yesterday introduced further restrictions on the use of cattle by-products in meat manufacture because of concern over "mad cow disease". Mr Douglas Hogg, agriculture minister, said the restrictions followed findings in slaughterhouses' disposal of "specified bovine offals" - the parts of cattle that can carry bovine spongiform encephalopathy (BSE). An independent committee advising the government on the disease has expressed "grave concern" about a number of cases where slaughterhouses have left small pieces of spinal cord attached to carcasses.

The spinal cord is a specified bovine offal and is supposed to be removed and destroyed. Because of the findings, Mr Hogg said he was suspending the use by slaughterhouses of the whole vertebral column. Abattoirs use machines to recover meat from the bones which can then be used in products such as soup and pies. The measures are likely to add to the costs of the meat industry, which is already bickering over the share-out of extra costs resulting from the last tightening of the rules in August.

Dr Kenneth Calman, the government's chief medical officer, welcomed the new restrictions and said there was no scientific evidence that BSE could be transmitted to humans or that eating beef caused Creutzfeldt-Jakob Disease, the human equivalent of BSE.

Alison Maitland, Resources Staff

Court victory for Eurotunnel

Eurotunnel's campaign to abolish duty-free sales achieved a small victory when the French commercial court referred to the European Court of Justice questions concerning the Channel tunnel operator's claim of unfair competition by ferry companies. Eurotunnel said it welcomed the decision, which follows the group's decision to pursue SNAT, the French ferry company, in the Paris courts.

The debt-laden tunnel operator argues that the ferry companies have been able to offer unjustly low ticket prices because they make such large profits from the sale of duty-free goods. It maintains that the decision of the European Union to allow duty-free sales until mid 1999 is "in total contradiction" with the single European market. The Paris Tribunal de Commerce has asked for clarification from the European Court of the legal validity of the decision. Eurotunnel said it intended to campaign relentlessly to abolish intra-community duty free sales before 1999 if possible, but in any case to stop the numerous abuses it creates and to prevent any extension beyond that date.

Andrew Jack in Paris and Charles Batchelor in London

Nissan weighs Primera plan

Nissan, Japan's second-largest car group, yesterday scorned speculation that it had decided to build a new estate car at its assembly plant in north-east England. Press reports this week claimed the company had decided to build the new variant of its established Primera saloon at the plant from 1998. Nissan said a study into building the Primera station wagon was under way, but a decision would not be reached until mid 1998. But Nissan might prefer to channel extra work to its loss-making Spanish plant in Barcelona, which builds four-wheel drive sports utility models, multi-purpose vehicles and vans.

Haig Simion, Motor Industry Correspondent

Showa to open European line

Showa, a producer of power-steering systems and other components for Honda in Japan, is to set up a production plant "somewhere in Europe" to supply Honda's car assembly lines at Swindon in south-west England. The project is expected to create 100 to 150 jobs. Showa is unlikely to announce a final location until the spring. But the strong preference of all Japanese carmakers to have suppliers close to their assembly plants make it almost certain that a location will be chosen near Swindon.

Showa currently supplies, from its Japanese plants, the power steering for Honda's latest, Swindon-built Civic 5-door models. However, it can expect to pick up more Swindon-based business as Honda renews its model ranges and embarks on its previously-announced expansion for the plant. Swindon's capacity is to be increased by 50 per cent to 150,000 cars a year by 1998, by introducing an as-yet unidentified third model.

John Griffiths, Industrial Staff

Insurers 'must use IT'

UK insurance companies must cut costs, make better use of information technology and improve the public's confidence in them if they are to succeed, says a report commissioned by the Association of British Insurers. The report by Price Waterhouse, the management consultants, says companies must make more of the opportunities available for expanding, for example in developing economies in Asia, eastern Europe and South America.

"For those insurance companies which aspire to be world leaders, it appears there is some scope for improvement," it says. The report follows a critical study by the British government in the summer. The study warned that insurance companies were vulnerable to acquisition by financially stronger rivals in mainland Europe.

Alison Smith, Financial Services Staff

Paintings reach \$5m: A collection of more than 200 works by Giorgio Morandi, the 20th century Italian still-life artist, sold for \$3.22m (\$5.02m) at Sotheby's in London yesterday. The price was more than twice the estimate. All the lots, which had been collected over 20 years by Frans Morat, found buyers. At the main winter auction at Sotheby's on Monday night, a sea-like Tahitian landscape by Gauguin sold for \$3.2m, comfortably above its \$2m top estimate. It was the highlight in a sale which brought in \$16.7m. Thirty-four of the 47 lots sold, confirming that the international art market is recovering its confidence.

ARJO AB (publ)

NOTICE OF ANNUAL GENERAL MEETING

The shareholders of Arjo AB (publ) are hereby given notice that the Annual General Meeting of Arjo AB will be held at 2:00 p.m. on Thursday 14th December 1995 at the offices of the company, Studentgatan 5, Malmö, Sweden.

Right to participate

- All shareholders are entitled to participate in the General Meeting, provided that they
- are recorded in their own names in the company's share register (which is kept by Värdepapperscentralen VPC AB) on 4th December 1995; and
 - notify the company of their intention to participate in the Meeting not later than at 12:00 noon Swedish time on Monday 11th December 1995.

Shareholders whose shares are registered in the name of a nominee must, if they wish to participate in the Meeting, be temporarily recorded in their own names in the company's share register. As such temporary recording must be made on 4th December 1995, the shareholder must give notice to his nominee in ample time prior to said date.

Notice of participation

Notice of participation can be made in writing to Arjo AB, P O Box 4148, S - 203 12 Malmö, Sweden, by telex at +46 - 40 - 660 75 01 or by telephone at +46 - 40 - 660 75 00.

Agenda

- Matters which, in accordance with the Articles of Association, are to be dealt with at Annual General Meetings of the shareholders, including presentation of the annual report and the auditor's report as well as the consolidated financial statements and the auditor's report thereon; resolutions regarding the adoption of the income statement and the balance sheet as well as the consolidated income statement and the consolidated balance sheet; dispositions of the company's profit according to the balance sheet adopted; discharge from liability for the Directors and the Managing Director; and election of Directors and auditors.
- The Board's proposal to amend the Articles of Association, according to which § 8 of the Articles is amended to read: "The financial year of the company shall be the calendar year."

Board of Directors

The following persons will be proposed as Directors: Carl Bennet, Anders Frick, Ulf Grunander and Johan Malmquist. The proposal is supported by shareholders representing more than 90 per cent of all outstanding votes in the company.

Dividends

The Board of Directors has proposed a dividend of SEK 7.00 per share and 19th December as the record date for entitlement to the dividend. Subject to approval of the Board's proposal by the General Meeting, dividends are expected to be paid by VPC on 28th December 1995.

Copies of the annual report and the consolidated financial statements (and the auditor's reports thereon) will be available at the company for the shareholders from 5th December and will be sent to any shareholder who so requests.

Malmö, Sweden, November 1995
Board of Directors Arjo AB (publ)



مكتبة العصر

Clarke lays groundwork for next election

By Robert Peston,
Political Editor

Yesterday's Budget was a signal that the government intends to call a general election close to the last possible moment in the spring of 1997. "Clearly we want to hold another Budget before going to the country," said a senior member of the cabinet. "The tax cuts the chancellor has delivered are clearly welcome, but are probably not a platform for fighting a general election."

Mr Kenneth Clarke's priority was that the budget should be a staging post on the way to hitting the government's four

main economic goals: public borrowing falling to zero, national income 40 per cent, basic rate income tax and inflation below 2½ per cent.

"This budget puts us on a path to meet all those goals," Mr Clarke said. "We are not going to cut and run," said one of his close colleagues. However, there was a subdued response from backbench Tory MPs to net tax cuts worth £3.1bn financed by a slightly larger reduction in public spending plans. Many of them had been hoping for the 25p basic rate of income tax to be cut by more than the 1p Mr Clarke is taking off. "I would

have liked 55p off taxes," said Mr John Redwood, the right-winger who challenged the prime minister for the party leadership in the summer. "This is a good downpayment, two thirds of what I asked for."

"No one can accuse Ken of attempting to bribe the electorate," said Mr John Townsend, chairman of the Tories' backbench finance committee, who had been campaigning for far bigger expenditure and tax cuts. Mr Townsend and many of his colleagues are hoping that Mr Clarke's prudence will be rewarded in the coming weeks with a reduction in interest rates. Many Tory MPs failed to

appreciate the strides Mr Clarke had taken in wooing what one senior Tory official called the "grey vote", those close to or in retirement, which has been the traditional backbone of Conservative support.

Mr Clarke's speech was a personal exposition of his centrist political philosophy, increasingly at odds with the rightward drift of his party. His Budget was designed to create "a Britain in which everyone can keep more of what they earn or save". He also used the speech to show that he would not flinch from his pro-European stance, which has put him at odds with many of his colleagues.

His measures would ensure that the UK economy met the conditions for entry into a single currency in 1996, he said, conscious of the offence this would cause to the Eurosceptics.

Labour's shadow chancellor, Mr Gordon Brown, contrasted the 1p cut in the basic rate with tax increases made since 1992, which he said were the equivalent of a 7p rise. "1p down leaves people 6 pence in the pound worse off," he said. Mr Tony Blair, the Labour leader, said the "give with one hand, take with the other" Budget would fail to rescue the Conservatives from defeat at the next general election.

"They are people who have given up trying to steer the ship of state and are simply looking for the nearest lifeboat to get off," he said.

Mr Clarke poured scorn on Labour's plan to levy a one-off windfall tax on the utility companies. However he foreshadowed an announcement tomorrow by Mr Ian Lang, the trade and industry secretary, on the regulation of the utilities. Mr Lang will say that the government is reviewing the framework by which regulators set consumer prices, but there will be no immediate rebates to consumers or price reductions.

'Five-star' speech delights top executives

By Peter Marsh in London

A panel of Britain's top executives last night gave a broad welcome to Mr Clarke's measures, arguing that they helped low-wage earners and did nothing to damage Britain's industry-led, low-inflationary recovery. Mr Barrie Stephens, chairman of engineering group Siebe, called it a "five-star Budget". Sir Ronald Hampel, chairman of Imperial Chemical Industries, praised the chancellor for being "prudent and cautious". Most of the industrialists questioned said they expected the budget to make room for a cut in interest rates of about 1 percentage point soon.

Mr Peter Jarvis, chief executive of Whitbread, the brewing and leisure group, said: "The chancellor's tax reductions should not only stimulate consumer spending, but also improve UK retailers' confidence and help to underpin the vigorous expansion of our own business. We're obviously pleased the chancellor has decided to freeze excise duty, but he has done little to help the thousands of regional and independently run pubs and off-licences whose livelihoods are at risk as a direct result of the cheap imported beer reaching the UK from France."

Sir David Simon, chairman of British Petroleum, said: "It is good to see that the government intends to continue reducing its spend as a proportion of gross domestic product and that it has reaffirmed its desire to balance the budget by the turn of the century. I also like the aspiration to make Britain the enterprise centre of Europe and the moves to encourage share ownership by employees."

Sir Brian Pearce, chairman of Lucas Industries, the engineering group, said: "This has been a sensible and business-like Budget which will satisfy the City and industry. Mr Clarke now has a platform for reducing interest rates which will further benefit business. To the extent that a tax reduction is justified this Budget has gone some way to channel additional revenues into the pockets of those most likely to spend this money, which I believe will be good for retail trade at all levels including the car market."

Mr Christopher Haskins, chairman of Northern Foods, said: "It was entirely predictable. He did as much as he could for middle England without upsetting the accounts. It wasn't much of an electioneering budget; from a Labour point of view it was good. I was a bit surprised it was as socially responsible as it was. Obviously Kenneth Clarke and Michael Heseltine had their way in the cabinet. People earning £25,000 a year and shopping at Tesco and Sainsbury will have a bit more to spend and from this point of view it is good news for us. A couple more years like this and

Financial markets were disappointed by the Budget, with bonds and sterling falling in reaction to the high forecast for the public sector borrowing requirement and the lack of vote-winning proposals, our Markets Staff writes.

"The chancellor missed both targets," said Mr Ian Barnett, UK chief economist at broker SOGAT. "He either had to cut spending and bring down the PSBR or cut taxes sufficiently to win the election."

Gilt-edged were hardest hit by the high PSBR numbers, with the December 10-year bond future losing nearly a point. "The markets are left with the feeling that he had to take a few risks on the borrowing side to fund only a modest tax-cutting package," said Mr Keith Skeoch, chief economist at broker James Capel. The FT-SE 100 index, having risen almost 13 points lower ahead of the chancellor's speech, rallied to close 0.2 down at 3,648.8. The market was initially given a fillip by a rally in utilities stocks, which were relieved at the lack of a windfall tax, and a rise in drinks company shares on the cut in spirits duty.

But the Footsie future shed a further 14 points in after-hours trading.

"We really will be in the new world of low inflation."

Mr Paul Lester, chief executive of Graseby, the electronics group, said: "It was as good as I could have expected. I would have been disappointed if Mr Clarke had knocked 2p off taxes: this is not what is required if we are to keep a low-inflation recovery. The measures for small businesses were a step in the right direction. I would have liked to see more direct encouragement of investment. But overall there was no damage to business from the measure, which was good."

Mr Colin Parsons, chairman of Taylor Woodrow, the builders, said: "At last the blockage on the private finance initiative seems to have been removed. We are seeing signs that this programme is moving forward. I agree with the chancellor that the housing market is as affordable as it has been for 20 years but, to stimulate the market, consumer confidence must be boosted."

Sir Ronald Hampel of ICI said the Budget should enable the economy to grow at a "healthy rate" in the next two years. "I welcome the direction of the chancellor's policy in reducing public spending and cutting taxes in a fiscally responsible way. Reducing the Budget deficit over time as planned is essential if the UK is to continue to maintain low inflation and stable growth. It is now important that there is an immediate cut in interest rates if the growth of the economy is to accelerate as forecast by the chancellor."



Walking tall and talking heads: Kenneth Clarke and his wife, Gillian, start out for Parliament from the chancellor's residence at 11 Downing St while Labour party leader Tony Blair and shadow chancellor Gordon Brown debate Budget tactics

Occupants of 11 Downing Street - so near to Number 10 and yet so far away

In most other countries they are called finance ministers. In Britain the name is still chancellor of the exchequer. The job is one of the most challenging any politician, and brings with it a base at 11 Downing Street - next door to the

prime minister at Number 10. But only two chancellors in the past 30 years, James Callaghan (Labour) and John Major, the present prime minister, have managed to occupy both addresses. Margaret Thatcher, who won

three general elections for the Conservatives and became one of the longest-serving prime ministers, was never chancellor of the exchequer. Here we recall five of the most significant Budgets of modern times, and the fate of their authors.



James Callaghan

First Budget in the wake of the Labour party's 1964 election victory. Big rises in indirect taxes on tobacco and alcohol and the launch of capital gains and corporation taxes delighted Labour MPs, enraged Conservatives and left the City of London shell-shocked.

Callaghan became Labour prime minister in 1976, but lost the 1979 general election to Margaret Thatcher. The Conservatives have won all three subsequent general elections. Callaghan is now a Lord and therefore a member of the unelected upper House of Parliament.



Anthony Barber

This Conservative chancellor outlined "the most comprehensive and far-reaching reform of the tax system this century". Purchase tax was to be replaced by a new Value Added Tax, and tax breaks were announced that favoured mainly the middle classes. In spite of increased child tax allowances and pensions, the anti-Conservative Daily Mirror declared: "It's the rich who get the pleasure."

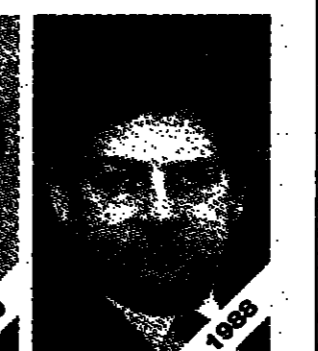
Barber, chancellor from 1970-1974, left politics at the 1974 election, becoming chairman of Standard Chartered Bank. Subsequently became a Lord.



Denis Healey

This Labour chancellor's first Budget, only three weeks into the year, came against a background of big economic problems - inflation was 18 per cent and rising, and the balance of payments deficit was running at \$4.2bn a year. Healey raised basic rate of income tax by 3p in the pound, increased corporation tax and tax on investment income, and restricted mortgage tax relief. The City was humbled.

Healey, now a Lord, failed in 1980 to succeed Callaghan as Labour party leader.



Sir Geoffrey Howe

The first Budget of the Thatcher era, cut the basic rate of income tax by 3p in the pound, raised minimum lending rate by 2 percentage points to 14 per cent, and more than doubled prescription charges for medicines supplied by the state health service from 45p to £1.25. A year later, with inflation at 7.5 per cent, Lawson was much more cautious in his sixth and final Budget.

Howe, chancellor from 1979-1983, later became foreign secretary and deputy prime minister. But in 1990 he fell out with Mrs Thatcher in an explosive row over Britain's role in Europe, and resigned.

UK BUDGET DIGEST

Basic rate of income tax cut

The average family will be £190 a year better off, and 26m taxpayers will pay less tax, following a series of changes designed to bring the government closer to a basic rate of income tax of 20p in the pound.

Higher earners will see their tax bills reduced by up to £311 a year in real terms. After years of rising taxes, the chancellor yesterday reversed the trend with an income tax giveaway comparable to the pre-election budgets in 1993 and 1994. Combined with changes to indirect taxation, and increases in child benefits, a family with two children and average earnings should see their real income rise by £450 next year. From next April, the basic rate of tax will be cut from 25 per cent to 24 per cent, and on investment income the basic rate of tax will be cut straight to 20 per cent. The basic personal allowance - the first part of your income on which no tax is paid - will be increased by £240, to £2,765. This increase is £100 more than needed to compensate for inflation, and will mean that more than 300,000 more people will be spared having to pay any income tax. For businesses, small companies' rate of corporation tax is reduced to 20 per cent. Mr Clarke also said the increase in business rate bills would be down to 7.5 per cent for 1996-97, while the increase on small business rates would be capped at 5 per cent. The qualifying age for tax relief for business owners selling on retirement is reduced from 55 to 50. The opposition Labour party will not oppose the 1p cut in income tax, party strategists said last night. But the party will vote against the overall Budget, claiming it fails to meet Britain's economic needs.

Shadow ministers said plans for a minimal cut in direct taxation would make it easier to maintain a united front on the tax proposals by persuading leftwing MPs to abstain rather than vote against. Abstention will help the party to avoid the political damage that might flow from opposing lower taxes, while allowing it to maximise the impact of a fight against public spending cuts that will unite Labour MPs.

Roger Taylor, Kevin Brown and agencies

Insurance: There will be a cut in employers' National Insurance contributions by 0.2 per cent to 10 per cent from April 1997. A range of insurance policies providing long-term care benefits exempted from tax, while the qualifying age for pensioners' bond is reduced from 65 to 60.

Tobacco: The price of cigarettes was increased by 15p for a packet of 20; small cigars went up 6p a packet, and a 25g packet of pipe tobacco up by 5p. There was a freeze on the price of rolling tobacco because "it is proving to be far the easiest product to smuggle."

Motoring: Car road tax will increase by £5 to £140, although the rate for lorries is frozen for the sixth year running. Petrol and diesel increase by 3.5p a litre, while super-unleaded petrol will go up a further 4p a litre from next May. "Despite these increases, petrol prices in this country should remain lower than in any other major European country," the chancellor said. All cars and motorcycles over 25 years old - covering about 150,000 historic vehicles - were exempted from road tax. Industry estimates last night were that about 30,000 extra new cars will be sold next year as a direct effect of the taxation changes boosting disposable income. This would raise expected total sales next year to around the 1.97m mark, still below the 2m level for which the industry has been hoping.

Social security: Expenditure on social security will be reduced by £5bn each year by the end of the century. Child care allowance in family credit will increase from £40 to £50 per week. Housing benefit will be restricted for under 25s, while benefits for asylum-seekers will cease after their applications for asylum are formally rejected.

International tax law altered

A number of changes to international tax legislation were announced yesterday. The tax charge on loans to overseas parents of certain UK companies was removed, in line with proposals set out in a recent consultative document. Upstream loans by UK companies have until now been subject to a 25 per cent tax charge similar to Advance Corporation Tax. The existing legislation has in recent years been the subject of challenge under various international tax treaties on the basis that it discriminated against overseas investors.

The international headquarters company rules have been relaxed to allow more international groups to benefit from the use of the UK as a location for an intermediate holding company. There will also be a number of technical changes to the Foreign Income Dividend Scheme.

Collecting agents who only arrange to clear a cheque for foreign dividends or interest will no longer have to deduct tax. Economics and Banking Staff

Aid agencies attack cut

British aid agencies last night criticised what the Overseas Development Administration admitted was a 5.4 per cent cut in aid as a severe blow for some of the world's poorest people. "Compared with plans announced in last year's budget, aid in 1996-97 will be cut by £124m in cash terms - from £2,278bn to £2,154bn," the agencies, including Actionaid, Oxfam, Save the Children Fund and the World Development Movement, said in a joint statement.

The money being cut would be enough to fund the combined programmes in Africa of all the agencies. The ODA, however, said the aid budget for 1997-98 was planned to rise by £47m to £2,201bn and a further £58m in 1998-99. The administration said Britain would "continue to be the fifth largest aid donor in the world."

Stephanie Gray

Arts budget reduced by 3%

Britain's Arts Council budget was cut by three per cent or £5m to £186.1m in spite of government pledges that the success of the national lottery would not replace existing spending on the arts and heritage. A year ago the Council, which funds the nation's arts organisations from the Royal Opera House, Covent Garden, to local arts centres, had been promised a stand-still grant. English Heritage also suffers a reduction in funding, by £4.8m to £108m, while the Sports Council receives £2.3m less at £47.5m.

Anthony Thorncroft

Whisky cut greeted with cheers

As the first chancellor to cut taxes on spirits in 100 years, Mr Clarke was warmly applauded by distillers, particularly Scotch producers fighting discriminatory foreign taxes on their drinks.

Announcing a freeze on the duty on beer and wine, he said: "Tax at a share of the cost of a pint of beer is now the lowest for over 20 years." The reduction in spirits duties by 4 per cent will knock about 27p in duty and VAT off a bottle of whisky. The main beneficiary will be Scotch whisky producers when they attack discriminatory taxes against their products in countries such as Japan.

Roderick Orum

Treasury web site 'swamped'

The chancellor triggered a traffic jam on the information superhighway last night as thousands of Internet surfers jammed the Treasury's computers seeking details of the Budget. The Treasury admitted that its Internet servers - the computers which store information for public access - had been "utterly swamped". As a result those dialling in from across the globe found themselves looking at frozen screens instead.

The Treasury last night estimated that within the first hour after the Chancellor finished his speech its Internet site (www.hm-treasury.gov.uk) received 40,000 "hits" - or accesses in 1994, when the Treasury first tested out a Budget day Internet service. It received 33,000 inquiries in the first week Coverage of the Budget is available through the Financial Times' own site (www.ft.com).

Paul Taylor

The party isn't over until interest rates swing

By Gillian Tett,
Economics Correspondent

If you believe the City, only half the show is over.

As yesterday's modest tax cuts were unveiled to parliament, most economists were left assuming that there will be a second boost to the economy - through a cut in UK interest rates.

Some believe this could come as soon as December 13, when Mr Kenneth Clarke, the chancellor, will hold his next regular monetary meeting with Mr Eddie George, governor of the Bank of England, the UK central bank.

Others suspect that it may be delayed until January, or even February, after the Bank issues its first inflation outlook. A few even wonder if it might not come at all immediately - although this could cause problems with the Bank.

Which ever way it goes, there is a widespread consensus that interest rates are likely to fall from their present level of 6.75 per cent within the next few months. This would mark the first fall since the chancellor started to raise them slightly a year ago.

Ms Ruth Lea, chief economist at the Institute of Directors, said yesterday: "I'm nearly certain there will be an interest rate cut at some point."

These assumptions are based on three factors.

First, yesterday's tax cuts, which amounted to an estimated £3bn, were sufficiently modest to avoid excessively alarming the markets.

Mr David Kern of National Westminster Bank said: "This is a broadly prudent Budget which makes it possible for interest rates to be cut by 50 basis points over the next two to three months and possibly before Christmas. This is the most beneficial

part of the Budget." Second, most economists have assumed for some time the broader economic climate has opened the way for rate cuts. Even before the Budget, traders in the short sterling market assumed that interest rates would be about 6.25 per cent by next March.

Meanwhile, the Treasury's own economic outlook has reinforced this view. Growth, for example, has slowed markedly in recent months to a point where most economists think it highly unlikely that the economy will reach the government's Budget targets for growth without an interest rate boost.

Inflation has eased, leaving the Treasury revising down its manufacturing price forecasts for next year. Meanwhile, slower growth in Europe and the US has resulted in a downward trend in the international interest rate climate, with some economists suspecting

there could be a cut in German rates tomorrow.

"The key missing ingredient in terms of achieving higher growth is interest rates. This is a clever Budget," said Mr Gerard Lyons of DEB Bank.

The third issue fuelling interest rate expectations is that the limited scope of the Budget measures means that Mr Clarke is now under strong political pressure to offer additional economic goodies to the electorate.

Mr Clarke gave some hint of this when he noted that "this Budget will reinforce my ability to keep mortgage and interest rates down".

And, as economists point out, in many sectors a cut in interest rates might do more to boost the feeble growth factor than if Mr Clarke had cut taxes.

For example, the chancellor argued yesterday that the housing sector would not easily benefit from tax

cuts, but would be boosted by lower interest rates. The Confederation of British Industry and other groups have been arguing for some time that business would benefit more from lower interest rates than a "giveaway" Budget.

One group unlikely to endorse a cut enthusiastically is the Bank of England. Although the Bank has moved away from its demands for higher interest rates over the autumn, it has given little hint recently that it would welcome a cut soon.

One detail in the Budget forecasts may have fuelled this reluctance: with the government now expecting a sharply higher current account deficit, a looming current account problem could put pressure on sterling. These reservations are unlikely to stop Mr Clarke acting. But they do suggest that just as the chancellor's party piece is not yet over, neither are his political battles.

BUDGET 95 · COMMENT

Financial Times

Between a rock and a hard place

In presenting his third budget, Mr Kenneth Clarke had to balance demands for a tax-cutting bonanza against those for fiscal prudence. The approach of the election made tax cuts politically essential. The disappointing performance of the public finances made prudence financially inescapable. Within these constraints, the Budget that the chancellor of the exchequer has put together is credible, indeed creditable. Nevertheless, the compromise he has chosen may be proved too timid to satisfy his panic-stricken backbenchers and too lax to placate his government's creditors.

For Tory backbenchers, this was to be the Budget in which virtue was rewarded, when a part of the tax increases imposed in the two budgets of 1993 was to be returned to erstwhile Tory supporters. Mr Clarke was probably never inclined far in that direction, being convinced that good economics is good politics.

In the event, the slippage in the public sector borrowing requirement for 1995-96, from last year's forecast of £21.5bn (3 per cent of gross domestic product) to today's figure of £20bn (4 per cent of GDP) was bound to constrain the chancellor's room for manoeuvre. Economists can talk about cyclically adjusted deficits and the output

gap until they are blue in the face. Lenders are interested in actual funding requirements.

In essence, last year's forecasts for the public sector borrowing requirement have been shifted back a year. This need not matter too much. As it is, the UK would still meet the Maastricht treaty fiscal debt and deficit criteria in time to join the economic and monetary union about which it is unable to make up its mind. Moreover, the longer-term scenario remains rosy: the PSBR is forecast to decline to 4 per cent of GDP by 1998-99 and disappear the following year.

Should anyone believe this, particularly after this year's disappointing outcome? That depends on economic growth and the effectiveness of expenditure control.

In 1995 GDP is forecast to grow by 2½ per cent, compared with the 3½ per cent forecast by the Treasury a year ago and the 3 per cent forecast in the summer. This slowdown is - along with the unexpected

low buoyancy of revenue - the pre-dominant reason for the unfavourable outcome for the public finances in 1995-96. General government expenditures this financial year were almost exactly as forecast a year ago in cash terms. In real terms, though, spending was a little higher than expected, since the GDP deflator (the broadest inflation index) is now expected to grow only 3½ per cent this year, against the 3½ per cent forecast in last year's Budget.

Next year GDP growth is expected to jump back to 3 per cent, followed by 3 per cent in 1997-98 and 2½ per cent thereafter. This is only modestly above the Treasury's estimate of the long run trend growth rate of the economy, at 2½ per cent. Provided growth in the other industrial economies improves, this is quite plausible. The principal motor is to be consumers' expenditure, forecast to rise 3½ per cent and investment, up 4½ per cent.

Furthermore, it ought to be possible to respond to economic weakness with lower rates of interest. The promise that inflation will fall below the 2½ per cent target for the end of the parliament is not rash. The current account is forecast to deteriorate to 1 per cent of GDP this year, but that is also no cause for concern. The fiscal position might be thought an obstacle to aggressive monetary policy. But the government can point to a steady improvement in the PSBR, if not one as large as earlier forecast.

The control total for public spending this year (which covers the non-cyclical elements in spending) is expected to be virtually the same as in 1994-95, in real terms. It is then expected to increase by a mere 0.2 per cent between 1995-96 and 1998-99. This is unquestionably a tough target. Between 1993-94 and 1995-96, by way of comparison, the control total rose 2.4 per cent overall in real terms.

Expenditure targets have been

pruned in housing, defence, education and employment, and the European Communities. A particularly important victim has been the running costs of the civil departments, where plans for 1996-97 are 5 per cent lower than for 1995-96, in cash terms. By the latter year the annual cost of the Civil Service is to be 12 per cent lower in real terms than this year. As important is the planned shrinkage of public sector capital spending by 18 per cent in real terms between 1995-96 and 1998-99. The hope is that the private finance initiative (PFI) will make up most of the difference. The danger must be that this squeeze will start to have seriously adverse effects on the quality of public infrastructure and public services. Moreover, the tight control will also be made more difficult by the ever growing share in public spending of the services that cannot be pruned so easily.

Yet the forecasts for the public

finances look defensible, at least up to the election. What then of the fiscal package? Within the modest total of £3.1bn in cuts for next year, the chancellor has been rather shrewd, if at the price of complicating the tax system.

It is good to lower taxation of savings, but the reduction to 20p in the taxation of the savings of basic rate taxpayers is yet another complication. The extension of the lower rate band by £700, combined with the politically inevitable reduction in the basic rate of tax to 24p is also a complex manoeuvre. The over-indexation of the main personal allowance is welcome, however. So, if to a far smaller group of people, will be the increase in the basic rate upper limit by £1,200 and the increase in the threshold for inheritance tax to £200,000. Equally politically responsive are the chancellor's efforts to help people pay for long-term care or, more precisely, protect the family's assets from its ravages.

The objection that will, and can, be made is that the overall tax burden has increased substantially during the parliament. But, the chancellor can reply, it had to. Another objection that can be made is that the relatively less well off suffered more from the earlier tax increases than they will benefit from these cuts. But the chancellor can also reply that he had to reward the core constituents of his party. He has done so.

The chancellor was not in the position he would have chosen at this stage in the parliament. He had no choice but to balance the pressures upon him carefully. He has done so. No vast enthusiasm, either among his supporters or among his government's creditors. The former will regard this as the first of two pre-election budgets and hope for very much more next time. But for Mr Clarke, the latter matter more.

The financial markets had to be convinced that the needed combination of tough spending control and economic growth would be delivered. Provided he has convinced them, Mr Clarke should be able to cut interest rates with impunity. If he has not, the government is in a serious pickle. Mr Clarke has done his best. His fate is now in others' hands.

Samuel Brittan

A package that avoids harm



The most that one can expect from a pre-election, or nearly pre-election, Budget is that it avoids harm; and this has been the case with Kenneth Clarke's 1995 Budget. The chancellor obviously thinks he has done rather more than that; but that is because his oratory concentrated on the small discretionary changes within his powers rather than the broader perspective which outside commentators must supply.

The arithmetic of these discretionary changes is simple, almost banal. Public spending for next year has been trimmed by just over £3bn compared with previous plans. Taxes, including National Insurance, have been adjusted downwards by about the same amount. Hey presto! A neutral Budget.

The key to the Budget, therefore, is the public expenditure economies. The expenditure economies for next year are almost exactly equivalent to the cut in the contingency reserve. But at this point one needs to fasten one's safety belt. For the normal pattern has been for a contingency reserve of £3bn for the year immediately after, £6bn for the year after, £9bn for the year after that, and so on.

As successive years come over the planning horizon, it is thus normal to cut the reserve. It is, however, fair to say the reserve for next year is some £1bn less than usual, and some £1bn per annum less in years further ahead. So the reserve

has been scraped, not fiddled. A much larger contribution comes from the Private Finance Initiative, which substitutes private for public finance for state capital projects. This is estimated to bring in nearly £2bn next year. A fair interpretation is that the chancellor has been able to avoid allocating the reduction in the contingency reserve for departments to spend. He is allowing public investment to run down, hoping that the finance initiative will take up the slack.

An interesting detail of the tax relief is that the 1 percentage point

Despite the basic rate cut, taxes have not been reduced in any meaningful way: the share of tax in GDP continues to rise

basic rate reduction amounts to almost exactly half the total cost. So the chancellor has forgone the opportunity to cut rates by 2 percentage points in order to spread the remaining largesse in slightly higher personal allowances and a modest widening of the lower 20p band, together with a larger cut in the tax rate on savings income.

It is difficult to get excited about the merits of alternative combinations among these ingredients. The more important observation is that taxes have not been cut in any meaningful way. On the contrary the tax take continues to increase.

Hence my use of weasel words like "adjustments" or "reliefs".

This is not a partisan charge, but almost a straight citation from the Red Book. Taxes and National Insurance contributions (excluding receipts from the North Sea) reached a low point of 34 per cent of gross domestic product in 1994-95. They are estimated to have risen to 36½ per cent in the current financial year, 1995-96; and let us concede, they are expected to fall minutely to 36 per cent next year. But by 1997-98 they are expected to be up to 36½ per cent, and by the end of the decade at 37½ per cent.

Confining our attention to the three years from 1993-94 to 1997-98, for which Mr Clarke has some responsibility, the tax burden will have risen by 2 per cent of GDP, equivalent to some £15bn at current values. The chancellor had probably no alternative without radical surgery on the welfare state, which should not be undertaken in a panic. But please let us hear no more about "tax cuts".

Although neutral in headline terms, the Budget is, on a slightly more sophisticated view, a restrictive one - if you believe the projections. The public sector borrowing requirement for 1995-96 is estimated to be much higher than originally projected. This is accepted as water under the bridge, and a £7bn reduction is planned for 1996-97: exactly the size originally in the medium-term projections. Thus there is the same downward path, but starting from a higher base.

Whether this path is described as contractionary or "underpinning

The public sector's finances



Key fiscal projections

	1994-95	95-96	96-97	97-98	98-99	99-00	2000-01
£bn							
General government expenditure	257.2	262.1	266.3	270.4	274.5	278.6	282.7
General government receipts	250.0	271.9	284.3	296.7	309.1	321.5	333.9
General government borrowing	7.2	-9.8	-18.0	-26.3	-34.6	-42.9	-51.2
Public corporations' market & overseas borrowing	1.8	1.2	0.7	0.2	-0.3	-0.8	-1.3
PSBR	35.9	29.0	22.4	15	8	2	-4
Percent of money GDP							
General government expenditure	42%	42%	42%	42%	42%	42%	42%
General government receipts	37%	38%	39%	40%	41%	42%	43%
General government borrowing	5%	4%	3%	2%	1%	0%	-1%
Public corporations' market & overseas borrowing	0%	0%	0%	0%	0%	0%	0%
PSBR	5%	4%	3%	2%	1%	0%	-1%
Money GDP (£bn)	678	712	754	796	838	880	921

Budget changes in tax and spending



Excludes impact of new increases in tobacco and fuel duties confirmed in this Budget but already taken into account in previous projections. Source: The Red Book

the recovery" is a matter on which economists will continue to argue. My own guess is that so long as the path of deficit reduction remains on a steady pre-announced medium-term path, there is not much effect on real activity either way.

But what is to prevent the PSBR outcome from being as disappointing in the next financial year as it has been this year? The Treasury Red Book attributes the overshoot of the PSBR to a shortfall in tax revenue. It projects this shortfall into the future but does not expect it to grow further.

Here, however, a doubt begins to

creep in. For the Treasury forecast assumes that the present, quite severe dip in real economic growth is rapidly reversed next year and that the rise in real non-oil GDP soon recovers to 2½ per cent per annum. This should be enough in the official view to close some of the remaining capacity gap and allow unemployment to fall further.

Behind this forecast is the assumption that companies are content to build up stocks in future at only slightly less than the rate at which they are now doing and that they will accept a stock overhang for some time to come. The worry is

that overseas governments and mainstream forecasters are making similar assumptions - which could turn out overoptimistic, as a world slowdown could feed on itself.

There is perhaps a one in three chance of such a growth recession continuing or intensifying. But this is sufficiently large to merit some renewal of international financial collaboration, based on macro-economic policy rather than just exchange rate intervention. At the very least these dangers merit some discussion in the Budget speech, as they are likely to impinge even on the middle

England voter as much as or more than the tax minutiae on which the chancellor so lovingly dwelt.

It is, however, some consolation that if growth continues to falter, the budget deficit will remain nearer its present level instead of dropping, thus providing a modest amount of built-in stabilisation. This is quite appropriate, whatever the prejudices of those who claim to speak for the financial markets or even the great Bundesbank itself. The goal of either a balanced budget or some low deficit ceiling cannot be sensible regardless of the business conjuncture.

Good-bye Battery



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SEIKO KINETIC

Few paths into uncharted territories

Andrew Adonis on the government's much-criticised Private Finance Initiative for public projects

The Budget confirms the central role of the Private Finance Initiative in the government's strategy for public-sector reform. Mr Kenneth Clarke hailed the initiative, which boosts the role of the private sector in funding and managing public-sector investment, as "sea-change in public procurement".

A series of ambitious targets was announced. Mr Clarke stood by his target of £5bn for contracts to be agreed this fiscal year, and set a figure of £14bn for projects to have been signed by the end of 1998-99. Making sense of these outline figures is not easy. The initial £5bn includes £2.7bn for one exceptional project - the fast rail link to the Channel tunnel. For the next three years the target for capital spending under the PFI is more than £3bn a year. But the eventual cost to the taxpayer will be far higher, since projects involve not only payments for infrastructure but also operating fees to run the associated services.

Yet the Budget was significant not for the precise figures unveiled but for the government's insistence that the importance of the initiative will grow fast. The Treasury will today publish a handbook setting out new opportunities under the scheme and addressing private-sector concerns about the delays and bureaucracy involved in negotiating contracts.

The days of scepticism as to whether the initiative would ever take off appear to be over. Some £2bn of projects have now been agreed. Recent months have seen significant advances in the transport, prisons, property, health and information technology sectors.

The Treasury stresses the impor-

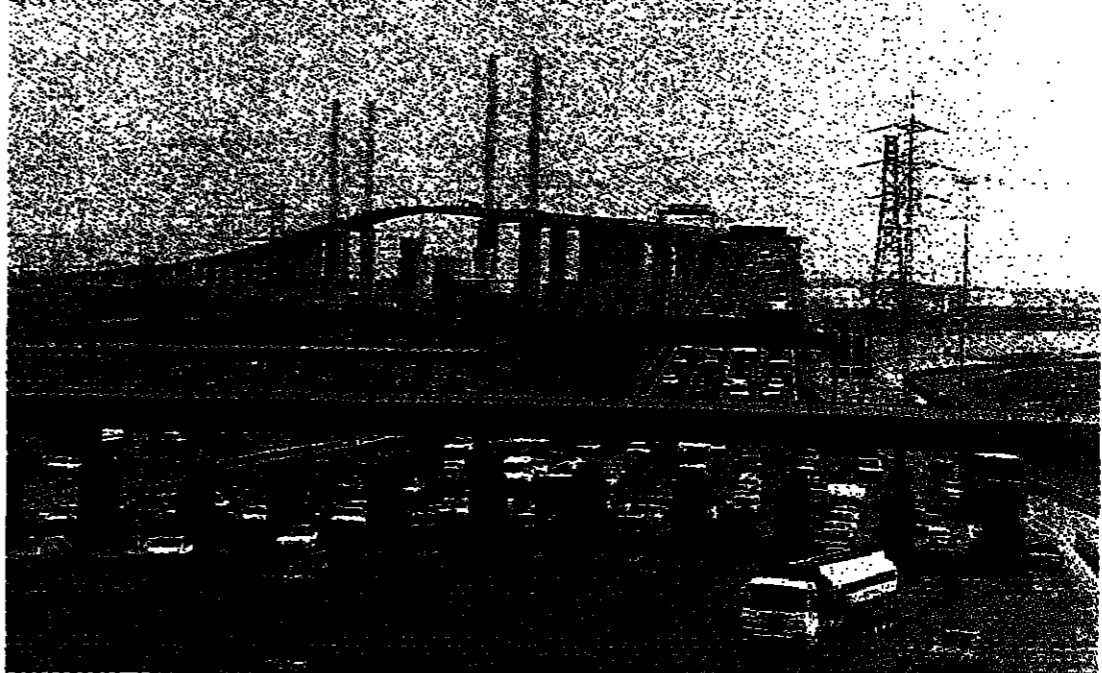
ance of the "pathfinder contract" - that is, agreement on the first deal of a particular type in a sector. Yesterday's announcement of approval for a £35m PFI contract to provide new hospital buildings and associated services in South Buckinghamshire is being heralded as a critical "pathfinder" for the National Health Service. Some 25 further hospital projects of more than £25m each are in the pipeline.

However, there remain large territories barely touched by PFI. Local government and education are particularly glaring. Local authorities, whose capital spending amounts to some £2bn a year, claim that tight restrictions imposed to curb capital spending by "loony left" councils in the 1980s make it hard for them to agree PFI contracts for the delivery of services.

Yet the government contends that last month's announcement of a relaxation of rules constraining local government opens the way for PFI. The new rules allow local authorities to replace a wide range of buildings - including offices, schools, libraries, bus stations and car parks - with facilities provided through PFI contracts for their design, building, funding and operation. However, a senior City adviser to PFI projects says the complexity of the rules remained "a nightmare" and significant early progress is not to be expected in local government.

Across the board there remains widespread confusion as to the purpose of the PFI. Mr Clarke said yesterday it was intended to produce "significant cultural change", yet there are widely varying visions of the new culture.

Treasury officials tend to emphasise the role of the PFI in extending



Far-reaching initiative: private finance has already produced the Dartford bridge across the Thames

private management across the public sector and improving value for money in public spending. By contrast, spending ministers and Labour tend to stress the capacity of the initiative to increase overall capital investment, implying that it is a way round existing Treasury controls.

The Treasury is concerned at this latter attitude. But it is not well placed to counter it, since the future implications of such deals are obscure in the public accounts. A senior official concedes that there is a "strong need" for improved spending controls. A new accounting system ("resource accounting") to be introduced will make it easier to monitor PFI projects from 1998. "The lead from ministers is now

very clear," says the Treasury official. "If a project can be done with private finance, it will be done, provided the terms are satisfactory on commonsense grounds."

The Treasury also stresses the importance of the initiative in restructuring the private sector, stimulating the development of new operators able to meet new public sector demands at lower cost.

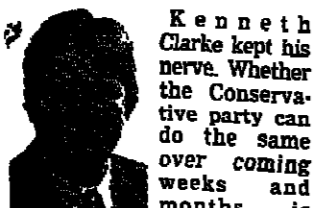
Hospitals and prisons are notable cases, with PFI leading to the creation of new types of consortia able to provide construction, finance and specialist services. The consortium for the South Buckinghamshire health trust contract brings together a construction company, healthcare providers, hotel services, and a private patients

manager, backed up by a design team of architects, service and structural engineers and quantity surveyors.

Leasing and construction companies remain critical. Their complaints centre on the bureaucracy involved and the high bidding costs. The finance director of a leading construction company says: "The PFI is taking a long time to develop, and the Treasury has been flat-footed in responding to criticism over the past two years."

However, Mr Ian Beith, managing director of structured finance at Charterhouse Bank, says: "Much of the frustration is caused not by the PFI as such, but by cutbacks in capital programmes which are happening alongside it."

مكتبة الامم



Kenneth Clarke kept his nerve. Whether the Conservative party can do the same over coming weeks and months is another question. As prudent as the politics would allow, this was a Budget for a general election in the spring of 1997. Mr Clarke is relying on another bite next autumn. John Major's political strategy now rests on the perilous assumption that his slim parliamentary majority will survive a five-year term.

It was not a Budget for the Tory populists. They had demanded Mr Clarke stuff the voters' pockets with sachets of large-denomination paper. What he offered was a handful of 25 notes wrapped in a very large IOU. The punters will need more than a 1p downpayment before they are convinced that this government can deliver a 20p basic rate. In the meantime, Mr Clarke badly needs a cut in interest rates. And soon.

The economic forecast in the Budget Red Book is full of heroic assumptions. You do not have to count yourself among the prophets of doom to believe that the Treasury is over-optimistic about the prospects for growth. And it's funny, isn't it, how the Treasury's targets for inflation and borrowing are always destined to be hit the year-after-next. Especially when the year-after-next happens also to be the year-after-the-election.

It was always foolish to imagine that this would be the Budget that decided the outcome of the election. This government has been further behind in the opinion polls and for longer than any administration in post-war history. During the last three years it has put up taxes by the equivalent of an extra 7p on income tax. As he reminded us again in his instant response to the chancellor, Tony Blair is the most formidable leader Labour has had for 30 years. Governments do not climb out of a hole as deep as this one during a single afternoon in the House of Commons.

That said, Mr Clarke had no choice but to follow his cautious instincts. He is fond of remarking that good politics and good economics are inseparable. Well up to a point anyway. I am not sure you can argue that it is sound economic

Philip Stephens

A tough case of political reality



ics to substitute income tax cuts for capital spending. The much-vaunted Private Finance Initiative meanwhile is just a fancy name for off-balance sheet expenditure. Someone will have to pay for those plush new privately-run hospitals. That someone happens to be you and me.

There was an embarrassing retreat too on share options, while the hand of the prime minister was obvious in the increase in the inheritance tax threshold. Nor did I imagine that Mr Clarke would be the chancellor to bow to his party's moral majority and reduce the incomes of single mothers.

But let's not quibble too much. This is politics after all. Mr Clarke did more than most expected at this stage of the political cycle to sustain the government's claim to competent economic management. And, as a former Conservative prime minister once remarked,

it may be desirable in politics always to tell the truth, but it is seldom necessary to tell the whole truth.

Mr Clarke spent his money cleverly if not wisely. The 1p off the basic rate was an essential totem. But there was something also for those at the bottom of the income scale and a few pounds more for those whose incomes are nudging at the higher rate threshold. The elderly ladies who stuff envelopes in Tory constituency offices will thank the chancellor for cutting the tax on saving and offering more help to those needing residential care.

Mr Blair is left in an awkward spot. After the earlier tax rises it was easy to label this a "7p-up and 1p-down Budget". He can condemn the freeze in spending on health and education and the cuts in housing and training. But will it be credible to abstain when the tax cuts are debated in the

House of Commons? Last week Gordon Brown, the shadow chancellor, proposed a 10p starting rate of income tax. He can hardly now criticise increases in allowances threatened at the low-paid. And the 1p off will the electorate believe that New Labour really has changed if it would begrudge middle Britain a few extra pounds in its pocket?

Plenty of MPs on the Tory right may not be so kind in their assessment of Mr Clarke's package. They deluded themselves that he could slash £10bn from public spending without touching the welfare state. The truth is that even a £3bn reduction took all the Treasury's ingenuity. Nor did Mr Clarke's critics understand how much damage the slowdown in economic growth had inflicted on his public borrowing targets.

The voters anyway will not thank Mr Clarke for any spending cuts. They may want lower taxes, but they do not expect to pay for them in longer hospital waiting lists and ever more crowded classrooms. It is true that Gillian Shephard, the strongest defender of her budget, has secured more money for the schools. But the other spending "increases" unveiled by Mr Clarke were the product of creative accounting.

A cursory glance at the opinion polls tell us that public concern over the quality of public services has never been higher. Before each of the last three elections the Conservatives judged it politically prudent to pour money into those services, clawing it back only after they had pocketed the votes. Now Mr Clarke is proposing a freeze in areas like health, and swinging cuts in road and house building.

As for the timing of the election, I suspect that Mr Clarke has at last got round to reading Nigel Lawson's memoirs. Mr Lawson, you may recall, found himself similarly constrained by economic circumstances in the 1986 Budget. He responded by cutting the basic rate of tax by 1p to 25p. A year later he reduced it by a further 2p. The message was clear. A 25p basic rate was there for the taking if only the electorate returned the Conservatives to office. They did.

You may find it fanciful to imagine that history could repeat itself. But this is an administration of necessity clinging to the slimmest of hopes. Of course, Mr Major will keep alive the option of an election in 1996. He must do so in order to protect his own position. If the polls are as bad next May as they are today, the prime minister cannot be sure that his leadership will be secure. And there is, I suppose, always a chance that a harsh winter will wipe out his parliamentary majority. Only four by-election defeats stand between Mr Major and the horrors of minority government.

But the basic strategy must be to hold on, to hope that Mr Blair will make mistakes and that the economy will deliver. The immediate outlook is tough. We could well see unemployment rising again through the winter. There is no reason, however, to predict a return to recession. Mr Clarke made the right call. As for Mr Major, I would guess he has already pencilled a date in his diary - 10 April 1997.



This was a Budget heavily marked by the imperative of changing demographics. For young and indebted homeowners, there was little comfort beyond the hope that the overall Budget numbers would clear the way for falling interest rates in due course. For the older or elderly saver, there were bribes galore.

Mr Kenneth Clarke has clearly grasped the political implications of the ageing of the population, which puts voting power in the hands of savers rather than borrowers. Whether his measures on savings, inheritance and capital gains tax add up to a coherent package is another matter.

Perhaps the most interesting of his gestures to the elderly were the measures designed to provide reassurance over the cost of long-term care in residential and nursing homes. This is where the demographic pressures in Britain are at their most acute, with the numbers in long-term care up from 120,000 in 1970 to 500,000 today. Access to state-funded long-term care has been reduced since 1993. About a quarter of residents of care homes who pay their own costs of between £300 and £400 a week have been able to do so only in the majority of cases, by selling their homes.

With studies undertaken by the Institute of Actuaries predicting that one in six will end up in long-term care, there has been widespread concern bordering on panic over the financial consequences. This is particularly acute among the children and in-laws of the elderly homeowners, who fear that their inheritance is jeopardised.

In trying to make it easier for people to hold on to their homes, Mr Clarke has changed the means-testing rules that determine whether the elderly get public help with the cost of care. He has thus invented a new distortion in the tax and benefits system to favour elderly homeowners, in much the same way as mortgage tax relief was intended to benefit first-time buyers. The result of this political obsession with home ownership could be very costly.

By raising the thresholds for the value of assets at which people cease to qualify for gov-

Price of peace

The elderly saver has been offered plenty of bribes, says John Plender

ernment support, Mr Clarke is, in effect, subsidising the beneficiaries of estates - the children and in-laws - out of general taxation.

As Andrew Cooper and Rodrick Nye have pointed out in a recent paper for the Social Market Foundation, the cost of buying peace with the middle-class elderly and their families in this way is to extend the state's funding burden for long-term care. Within a pay-as-you-go system, it will simply bring forward the point at

which the pressures of demography and rising demand produce a financial crunch. Small wonder that Mr Peter Lilley, social security secretary, whose approach to these matters is less paternalistic, looked singularly uncomfortable at this point in Mr Clarke's speech.

No doubt the chancellor's intention is to mitigate the impact on public spending, which will be substantial in the years beyond the current Red Book forecasts, by sharing the burden with the private sector. Yet it is far from clear that offering tax reliefs for insurance policies which provide long-term care benefits will end up reducing the burden for the exchequer. Independent experts have calculated that such tax expenditures cost more in lost revenue than they save in reduced use of state-funded services.

In the US, where tax-

sheltered private insurance for care has been available for many years, the take-up by the public has been minimal. Without compulsion, it is hard to see how the private sector will take much of the burden off the state, since most people, especially when young, will be tempted to gamble on not being the one in six who needs such care. Until more of the detail of the chancellor's plans is available, it is hard to be other than sceptical.

At least with his changes in inheritance tax Mr Clarke has resisted the temptation to take housing out of the net. Lifting the threshold at which the tax applies will cost very little at £150m in 1996-97. It will also offer most help not to the rich, but to the unsophisticated who fail to realise that inheritance tax can be avoided by making lifetime gifts. It bears particularly hard on those whose assets are heavily concentrated in a single home.

As for capital gains tax, the chancellor sensibly directed his relief at the very specific area of reducing the qualifying age which allows a retiring business owner to realise tax-free gains of up to £1m. Any more general reduction in capital gains tax risks reducing the overall tax yield by encouraging people to turn income into capital.

On the savings side of the Budget, fiscal buffs will complain that Mr Clarke missed the opportunity to rationalise or consolidate the various tax reliefs for personal equity plans, tax-exempt special savings accounts, and the rest. Yet his reduction in the rate of tax on all savings income to 20 per cent for basic-rate taxpayers, worth £800m in the first year, is not without its merits.

As the Institute for Fiscal Studies has pointed out, the median level of household financial wealth in Britain is low, and the least well-off tend to hold most of their wealth in interest-bearing form for precautionary purposes such as a drop in income or a sudden jump in expenditure. The tax regime has penalised such people heavily, relative to holders of other types of asset such as houses, pensions and Tescos.

But in the main, the measures on savings and investment show Mr Clarke once again in the guise of a political chancellor, whose response to long-term demographic pressure has been conspicuously short-term in approach.

At your heart out, Newt Gingrich. The UK government will reach budget balance by the year 2000, two years earlier than the train-wrecked US legislators, even if the latter get their act together.

Or will it? If there is a strange sense of déjà vu about Mr Kenneth Clarke's medium-term financial projections in this year's Treasury Red Book it is because we saw much the same figures last year.

The public-sector borrowing requirement for 1995-96 was then forecast at £21.5bn, but that has now slipped forward a year and gained in weight a little to become £22.5bn for 1996-97. Similarly the £13bn originally estimated for 1996-97 has transmuted effortlessly to become a forecast of £15bn for 1997-98. That elusive fiscal balance will now be attained as part of the millennium celebrations in the year 2000 rather than in 1999.

This smoke-and-mirrors Budget is not going to please the financial markets. Although in the end the tax reduction of 1p in the standard rate of income tax was the lowest expected, the total tax cuts of £3.1bn add up to at least as much as the market consensus anticipated, with less clawback than generally expected from indirect taxes.

There is a clear confirmation of fiscal drift, as of course has been evident all year from the monthly PSBR numbers. Moreover the numbers only look as good as they do because of some top-of-the-range assumptions about economic growth next year.

Gross domestic product is forecast to grow at 3 per cent, and export volumes to recover rapidly from their recent sharp dip, even though the International Monetary Fund is expecting global growth to stagnate at 2½ per cent. Moreover, there must be concern about the extent of the slowdown now affecting the UK's big continental European trading partners such as Germany and France.

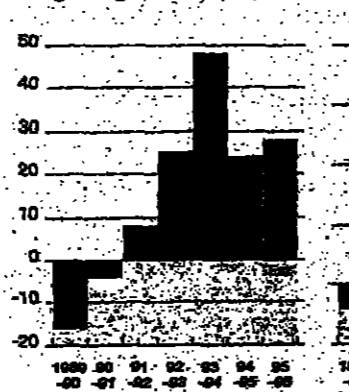
It is true that control over public spending remains genuinely tight, setting aside some sleight-of-hand over the Private Finance Initiative - which harnesses private-sector capital for public services - and the contingency reserve. There must, of course, be doubts over the government's ability to follow this hair-shirted course in a pre-election year. And the revenue side is certainly a cause for concern. Receipts are undershooting the 1994 Budget

Déjà vu with fiscal drift

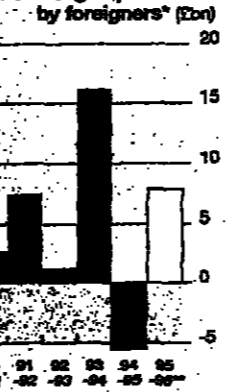
Financial markets will see through the chancellor's smoke and mirrors, argues Barry Riley

Gift sales and spreads

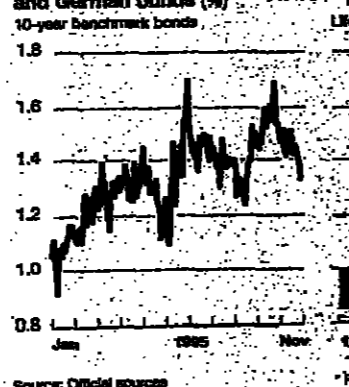
Net gift-edged sales* (£bn)



Gift-edged purchases by foreigners* (£bn)



Yield spread between gilts and German bunds (%)



Gift-edged purchases by UK investment institutions* (£bn)



forecast by about 2½ per cent this financial year.

In fact the latest GDP figures for the third quarter showed that year-on-year expansion has decelerated to 2.1 per cent. There appears to be a unanticipated pile-up of stocks, and a serious risk of one or two quarters of negligible growth this winter while the excesses are worked off.

Last night gilt-edged bond prices fell about 1 per cent as an immediate reaction to the chancellor's speech. There really is very little justification for tax cuts, even though the markets have some regard for the potential in reducing the Tories' deficit of more than 30 percentage points in the opinion polls.

Investors would have

preferred a tougher fiscal stance and a greater use of lower short-term interest rates to stimulate the economy. In fact, the aggressive 3 per cent GDP growth forecast - compared with the Treasury's figure of 2½ per cent for the long-term growth path - almost appears to rule out base-rate cuts if strict logic is applied, though no doubt the practice UK interest rates will follow German rates down when they fall (which could be an imminent development).

Yet for all Mr Clarke's slipping numbers, in relative terms he has been in quite a strong position to take a calculated risk. The public finances of countries such as France, Italy and even Germany are under still more

pressure than those of the UK.

The global bond market is enjoying another strong bull run this year, allowing gilt-edged yields to dip below 8 per cent again within the past few weeks, having started 1995 at nearly 9 per cent. And although the gap between the yields on UK gilts and German bunds has widened sharply this year, it has at least narrowed from a level of nearly 170 basis points reached in October.

This year's temporary pressure on gilt funding has already been anticipated. The government still has around £15bn to sell. But there has been support both from domestic institutions and foreigners. UK pension funds and life assurance companies have annual cash inflows of some £45bn and above average liquidity after the wave of cash takeover bids in the corporate sector, which is becoming a net source of liquidity for the investment institutions this year.

They have shown they are more willing to buy gilts than they were in the 1990s, but certainly not at any price. Those yields may have to go back above 8 per cent.

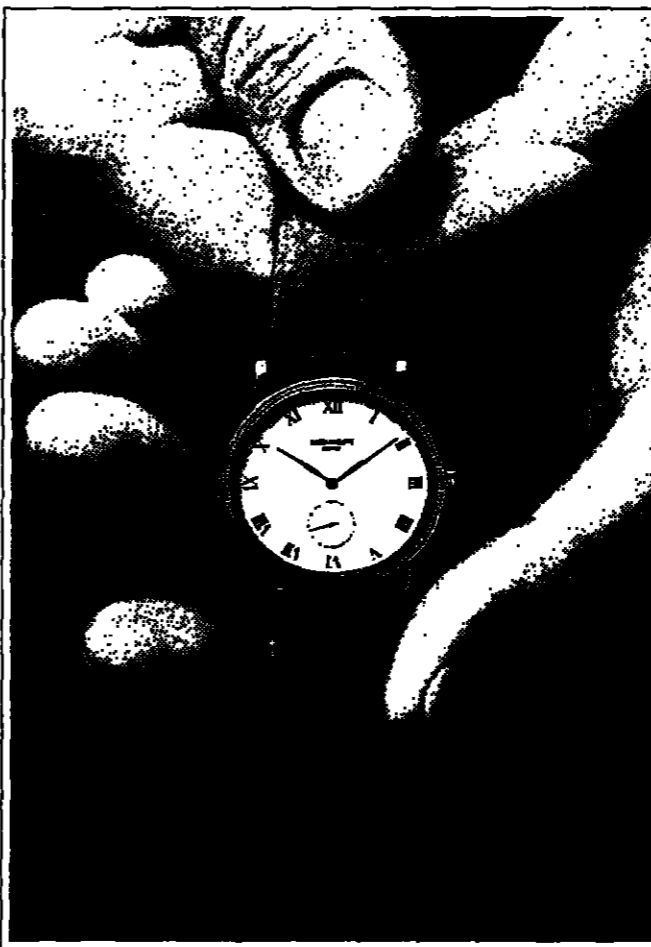
As for next year, gilt sales should decline slightly, but with a Labour government looming the market may begin to lose faith in the idea that gilt-edged issues are really on a declining trend, let alone a path to zero.

The markets are left to speculate about just how clever or helpless is Mr Clarke's strategy. Is this Budget part of a short game aimed at making the best of a bad job, with the assumption of being forced to the polls in 1996, perhaps amid economic weakness? Or is he playing a long game targeted at the spring of 1997, with another penny or two to be cut off income tax next November?

This is certainly no election knockout. But the chancellor is putting money back into consumers' pockets, and by holding back on alcoholic drink taxes he is nudging down the retail price index and adding to what is already likely to be a strong hand on inflation in 1996.

If the economy surges, due to supply-side improvements and continuing spare capacity, it may all not look too bad. But an incoming Labour tenant of Number 11 Downing Street might find the numbers falling apart. It could be déjà vu all over again. Newt Gingrich may not be upstaged, after all.

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BUSINESS AND THE ENVIRONMENT

Saving world ozone

Environment ministers from around the world gather in Vienna next week to keep up the struggle to save the ozone layer.

The meeting comes on the 10th anniversary of the Vienna Convention which led to the 1987 Montreal Protocol phasing out the use of aerosols, or CFCs. Ministers from industrialised countries, particularly the European Union, will be trying to speed up the process, but developing countries will be asking for more time - and money - to achieve their targets.

The meeting comes against a background of progress. Although the ozone layers over the north and south poles are both still deteriorating, emissions of ozone-destroying substances have begun to decline, and scientists believe the damage can still be repaired, given time. Chlorofluorocarbons were banned in the EU from the beginning of this year, and other countries will be banning them from next year.

The focus has now shifted to HCFCs, which were developed as a substitute for CFCs. At the moment, the aim is to cap them and then phase them out by 2030. The EU wants a lower cap, and earlier phase-out - by 2015. But the US is not convinced that the benefit is worth the cost.

Another target substance is methyl bromide, a highly toxic chemical which is used for fumigation and pest control. Here, the US and the EU agree on the need for an accelerated phase-out. Methyl bromide, consumed at the rate of 73,000 tonnes a year, is 50 times more harmful to the ozone layer than CFCs. Although it only accounts for 5 per cent of the damage so far, at current consumption growth rates of 7 per cent a year, it has the potential to be highly destructive.

Officials preparing next week's meeting say they are confident that agreement will be reached to further restrict use of ozone-depleting substances, though there will be bargaining over the details.

David Lascelles

The US's Clean Air Act amendments of 1990 were met with fierce opposition from the electric utility industry. It feared that the environmental legislation, designed to cut sulphur dioxide emissions from coal-fired power plants, which produce acid rain, would be punishingly expensive.

Now, as the first year of the innovative smog-cutting programme comes to a close, an early accounting shows that most of the utilities included in the first phase actually saved money by cutting their sulphur dioxide output. Indeed, the savings have proved so attractive that units that are not required to submit to the Clean Air Act for another five years have volunteered to come into compliance early.

The effect is that SO₂ emissions in the US will drop to 5.1m tons this year, about half of what they were in 1990 and well below the 8.9m tons permitted by the US Environmental Protection Agency.

Companies are over-complying, according to a study by Resource Data International, a Colorado research firm, because the price of buying and using low-sulphur coal is less than originally projected and because of the flexibility provided by the programme's EPA pollution allowances.

The clean air programme for this year covers the 261 dirtiest power generators in the US. Nearly two-thirds have complied by burning low-sulphur coal, and just 27 have built capital-intensive smokestack scrubbers. The rest have bought allowances that permit them to continue burning dirty coal.

Early studies suggested that the Title IV Clean Air Act amendments would push up the price of low-sulphur coal and cost the industry more than \$4bn (\$2.5bn), but Todd Myers, supervisor of the RDI study, says that mining efficiencies and rail competition have made clean-burning coal from Wyoming's Powder River Basin as cheap, or cheaper, than the high-sulphur coal of the Midwest, where most of the problem utilities are located.

"The first low-sulphur western coal mines opened after the original Clean Air Act was written in 1970," says Myers. "We believe the Act helped inspire the wholesale abandonment of Illinois Basin coal for Powder River Basin coal, or at least made it happen more quickly."

The RDI study says that electric utilities' fuel costs have dropped 10 per cent since 1990, and that companies burning low-sulphur coal saved \$153m this year.

The savings have been such that 140 power plants that are not required to comply with the Clean Air Act until 2000 have switched fuels for business reasons, and their owners have volunteered for the programme in order to receive EPA

Estimated US SO₂ emissions

With and without the Title IV Acid Rain Control Programme (Tons in)



America, land of the smog free

The US electric utilities are rushing to comply with the Clean Air Act - and save money, reports Laurie Morse

pollution allowances. RDI expects another 90 units to enroll by the December deadline.

The EPA pollution allowances that these plants earn by complying early can be "banked" for use in the more stringent second phase of the programme, which begins on January 1, 2000. The utilities have already built a hoard of about 4m emissions allowances, and RDI estimates that by 2000 they will have 12m to 15m allowances in reserve. Each allowance allows them to emit 1 ton of SO₂.

In five years' time, when many more companies will be required to cut emissions, the phase one utilities will be able to "spend" their allowances to delay making expensive technological changes to their plant and smokestack equipment. Analysts say the effect of allowances coming out of the "bank" after 2000 will moderate the drop in SO₂ emissions projected for phase two.

With the electricity supply industry facing deregulation at the same time as it has to meet the clean air requirements, the allowances give utilities the flexibility to make rational use of their capital.

"The key word for us is flexibility," says Russ Gillespie, emission

allowance manager for Duke Power. "By buying allowances and using low-sulphur coal, we will still be able to react if regulations for SO₂ or CO₂ change."

Gillespie says that allowances - and the fact that the Clean Air Act amendments average SO₂ targets nationally - permitted Congress to impose low overall emissions caps. Otherwise, he says, "they would have determined that the cost would have been prohibitive, and the caps would have been higher."

The allowance programme buys the utilities time, and rather than forcing them to install expensive scrubbers on existing plants, offers them an incentive to retire older units while planning cleaner, more efficient coal-fired plants.

At present coal-burning plants in the US generate about 38 per cent electricity for each unit of coal burned. That is expected to rise to 50 per cent as coal-burning technology improves over the next decade. Less coal will therefore have to be burned to gain an equal amount of power, and carbon dioxide and sulphur dioxide emissions will fall accordingly.

A side effect of over compliance with the Act and the growing emissions allowance "bank" has been a fall in allowance prices. The aver-

age price of an allowance, as indicated by the EPA's annual allowance auctions conducted by the Chicago Board of Trade, was about \$180 this year, far below EPA's predicted price of \$1,500 or more. Traders and brokers expect allowance prices to fall as low as \$60 this year, as the utilities' hoard grows.

The low prices suggest there is little demand for allowances from phase one utilities, which analysts say did not have enough time to include allowances in their compliance strategies before this year's implementation, and so move wholesale towards cleaner fuels and technological solutions.

However, Myers says, there could be a flurry of allowance trading in January, when utilities have to complete their year-end reckoning of pollution output and credits. The handful of utilities not in compliance must buy allowances or pay the EPA \$2,000 for each ton of SO₂ emitted outside programme limits.

The Phase I 1995 Database, Performance Under the Clean Air Act Amendments of 1990, is available from Resource Data International, 1320 Pearl Street, Suite 300, Boulder, Colorado. Contact: Craig Bannan, 303-444-7788. \$1,250. Quarterly updates \$250 each.

Green politics at a premium

Frances Williams on why insurers are focusing on ecology

The decision by 48 of the world's leading insurance groups to back a Statement of Environmental Commitment, announced last week in Geneva, marks the insurance industry's first formal foray into green politics. The impact could be far-reaching.

The statement essentially harnesses the direct commercial interest of insurers in reducing risks and claims by companies and governments to encourage environmental good behaviour, from prevention of oil spills at sea to action on global warming.

The organisers are hoping that eventually many more companies will join the pledge, at least matching the 80-plus signatories of a similar - but weaker - environmental statement drafted in 1992 for the banking sector.

The insurance groups on the six-strong steering committee, which drew up the statement in co-operation with the United Nations Environment Programme (Unep), are by any standards big players in the market - General Accident and NPI (National Provident Institution) of Britain, Gerling-Konzern Globale of Germany, Japan's Sumitomo Marine & Fire, Swiss Re and Uni-Storebrand of Norway.

They and the other signatories already claim to be putting the statement's green principles into practice. The companies have first and foremost pledged to adopt best environmental practices themselves and to promote good practice among "clients, partners and suppliers", for instance through the terms and conditions of insurance contracts.

These companies now routinely assess environmental risk as well as other types of risk in determining the scope and cost of insurance cover for clients. Bad environmental risks may not be insured, while lower risks attract lower premiums.

As importantly, the insurers also emphasise their role in helping customers to manage and minimise risk, rather than simply refusing cover.

Some 15,000 small- and medium-sized enterprises have taken part in Uni-Storebrand's training courses on risk reduction,

including environmental risk, over the past three years, notes Carlos Joly, senior vice-president. At the same time, the Norwegian group, a leading marine insurer, has refused cover to about 450 ships that a few years ago it might have insured, partly because of excessive risk of environmental damage from accidents at sea.

In a different context, NPI, which manages two green funds for environment-conscious investors, uses its role as a big institutional shareholder to influence companies' environmental policies.

The statement's signatories also envisage a much broader industry engagement in environmental questions. "We are committed to work together to address key issues such as pollution reduction, the efficient use of resources, and climate change," the statement says.

This entry into environmental politics is a new departure for the industry and in part reflects its concern following a series of unprecedented multi-billion dollar losses from disasters over the past decade. According to Unep, more than \$90bn (\$31.6bn) in claims have arisen from just 12 storms since 1987, including Hurricane Andrew in Florida (\$17bn in 1992) and Opal (\$2bn in 1995).

A UN panel is about to publish evidence that "human-induced global climate change" has already begun, bringing with it more drought, storms and floods. But insurers have for some time begun to build global warming scenarios into their risk assessments and adjust their cover accordingly.

The more fact that insurance companies are looking more closely at their exposure to global warming risks is an incentive to policymakers to take action on the causes, Joly says.

"Insurers understand that environmental risks are business risks, pure and simple," says Hans Alders, Unep's European director. "They know that a few major disasters caused by extreme climate events or toxic waste spills could literally bankrupt the industry in the next decade."

Can you simplify the global exchange of technology?

When Thailand legislated that industrial electricity users had to supply their own substations, the local economy didn't have the know-how. ABB

reacted with a swift hands-on transfer of technology. A "Tiger Team" of technicians flew in from Scandinavia and Saudi Arabia, to share skills and experience with Thai engineers, and handled the first project for the Thai Plastic Company. Next, ABB started local assembly and manufacture of switchgear, creating a whole new local industry. The "Tiger Team" remains involved in information exchange, but now the students are teachers too.

As a leader in electrical engineering for the generation, transmission and distribution of power, and in industry and transportation, ABB is committed to industrial and ecological efficiency worldwide. We transfer know-how across borders with ease. But in each country, ABB operations are local and flexible.

That means we are close at hand to help our customers respond swiftly and surely to technological challenges which stretch the limits of the possible. Like promoting a local economy to the head of world class technology.

ABB

ABB Asia Brown Boveri Ltd., Reader Services Center, P.O. Box 822, CH-9021 Zurich

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
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ARTS

Television/Christopher Dunkley

Difficulties of being funny

To avoid accusations of lacking a sense of humour, let us begin by mentioning some television programmes which are funny. *Rory Bremner, Who Else* is very funny. *Have I Got News For You* is often wickedly funny, and the touchy relationship between regulars and guests (Ian Hislop and Teresa Gorman last week, for instance) adds an irresistible edge. Quite a lot of *Cheff* is funny, especially the diatribes. That also goes for *One Foot In The Grave*, the first series since *Family Ties* to add a universally recognised comic figure - to the national pantheon. *Drop The Dead Donkey* achieves a laugh rate almost as high as American sitcoms. Of the current American imports the best is not a sitcom at all, but a one-hour drama series: *Due South*. Its central joke, the wise innocent Mountie at odds with the big city but equal to every challenge, will surely wear out soon, but so far it has been hilarious.

That said, it must be asked: why are so many of the new comedies so unfunny? Unfortunately there is no single simple answer. Take *The Thin Blue Line*. It seems that creator Ben Elton is an admirer of *Dad's Army* and wanted to create a similar ensemble show, with Rowan Atkinson in the Arthur Lowe role. But the strength of *Dad's Army* came from its authenticity: it was nine-tenths documentary, and one tenth comic invention. You could tell that David Croft and Jimmy Perry were writing straight from their own experience, and all of us could recognise people we knew in the characters they created.

In contrast, all the police personnel in *The Thin Blue Line* seem to be drawn from inside Elton's head. Not only does it look as though he has never worked with real policemen, you get the feeling that he has never spent more than two minutes inside a police station. Instead of relying upon scrupulously accurate observation (after all, people are innately funny) with the tiniest exaggeration, Elton has relied upon the sort of gag

catalogue that could be used in any situation: the awfulness of the food prepared by the Inspector's live-in lover (a WPC, naturally); the complete asininity of Constable Goody, and so on. We should have known the worst as soon as the producer started showing up the mike slides for the audience laughter at inappropriate points. The lines "I won't beat about the proverbial proverb" and "We disregard harringes, red or otherwise" would not provoke shrieks of laughter from normal people.

Or take *Coogan's Run*. It is billed as "a six part comedy series" but it would have been a pretty odd sort of cove who laughed at Friday's evening half hour. Yes, Coogan's suspension of a leather, somewhat insensitive salesman was impressive. Yes, he several times had me writhing in embarrassment as his boorish yuppie browbeat the hotel receptionist, was found masturbating in his room by a succession of people, or pursued a signature on a contract from a man whose son he had just driven to suicide. But *funny*? Of course comedy may have serious points to make, and can be cruel or bleak or even disgusting: think of Swift, Lenny Bruce, Rabelais. But whatever they had to tell us, they also made us laugh a lot.

At least those responsible for *The Ghostbusters Of East Finchley* have the grace to announce their series as a "comedy drama" which warns us not to expect too many laughs. The most promising character so far is the wide-eyed innocent madam, played by the magnificent Sheila Gish. The rooms in her hotel have the same sort of "thames" as those in Joseph Strick's cinema adaptation of Genet's play *The Balcony*. But whereas that movie had some pretty powerful points to make about the corruption of church and state, it is not at all clear what *The Ghostbusters Of East Finchley* thinks it is on about. The silliness of tax inspectors? The comic properties of tax evaders? The laughs are slow in coming.

It is hard to avoid the feeling that



Not a patch on 'Dad's Army': Rowan Atkinson in Ben Elton's 'The Thin Blue Line'

at least part of the blame for unfunny comedies must be placed at the door of political correctness, and at least part of the blame for injecting political correctness into British television must be laid at the door of the "alternative" comedians who began to arrive about 15 years ago. Watching the current re-run of *The Young Ones* (first screened in 1982) it is noticeable that the team of all-male principals felt able to say anything they liked about male students and males generally, but were far more circumspect about women. Feminism appeared to have them in its thrall. Across the entire comedy front today there is a feeling that

subjects and whole groups of people (women, non-whites, gays, Moslems) are being avoided thanks to the politically correct view that these people are, and should be, very easily offended.

The exception comes when such people supply their own comedy, and so we have a growing collection of series which proudly operate under what looks like an apartheid system. *Get Up, Stand Up* is not the first but the latest Channel 4 series which steadfastly excludes the majority of the population for having skin the wrong colour. The new Friday night series *Dressing For Breakfast* is the latest of those wom-

en's comedies which are licensed to be funny about women because they operate from the premise that all men are bastards and all women are cute. While it was possible for the wits and satirists of previous ages to hold up the most sacred of cows to ridicule - church, state, politics, contemporary crazes - today it is impossible even to imagine one of the terrestrial channels screening a series which seriously held, say, feminism up to ridicule.

It is fashionable, at least among the chattering classes, to argue that society is a better place without the likes of Bernard Manning and Chubby Brown on television, and

perhaps theirs really are the unacceptable faces of comedy today. But the idea that matters are improved and society strengthened by encouraging groups large and small to take offence ever more easily, to develop thinner and thinner skins and to protest whenever teased or ridiculed on television, is surely wrong-headed. Melting-pot societies, which look like becoming the norm, will only work successfully if people develop thicker, not thinner, skins. Who will give us a sitcom taking the mickey out of a black Moslem priest?

No, of course they don't have them - it's supposed to be a joke...

Opera
'The Mighty Cuckold'

On the problems of 20th century opera, Berthold Goldschmidt has remarked that "you have to write operas in such a way that they can be played without paralysing a theatre for months". If only other composers would follow his example! The new production of *Der gezeichnete Hahnrei* (The Mighty Cuckold) at Bern's municipal theatre underlines the wisdom of Goldschmidt's observation: composers with a grasp of practical realities have a better chance of seeing their work survive.

And "survive" is the word for Goldschmidt and his *Hahnrei*. Premiered in Mannheim in 1932, the opera had to wait until last year, shortly before Goldschmidt's 92nd birthday, for another staging. Harry Kupfer's abstract production at the Komische Oper may have been absurdly hectic, but it revealed *Hahnrei* as a fascinating work for the theatre. In the first performance outside Germany, Bern shows it to be well within the grasp of provincial companies.

When Goldschmidt chose Fernand Crommelynk's farce *Le cocu magnifique* as the basis of his first opera, his theatrical instincts were already well honed. *Hahnrei* lasts little more than 90 minutes, offers a peach of a part to a tenor who can act, and teases the ear with an eclectic roller-coaster of dance rhythms and bitter-sweet harmonies. Goldschmidt was to stamp a more personal compositional style on his second opera, *Requiem Cantata*, but *Hahnrei* has the more bewitching material.

Runo, the mighty cuckold of the title, prefers to be certain of Stella's infidelity than uncertain of her fidelity. He encourages his wife to take lovers, spies on her as she reluctantly services the village men and turns up in disguise to seduce her himself. The twists and turns of this "tragic-comedy" reflect not only the salaciousness of the 1920s, but the inverted puritanism and *Horrorbus* of our own time.

Eike Gramms's Bern staging served the work well, finding a happy balance between psychological hysteria and practical, easy-to-follow stagecraft. Hans Broch's semi-representational decor was inspired by the primitive landscapes, bold colours and grotesque faces of James Ensor and the early Expressionists. The voyeuristic subject-matter was handled with a healthy sensitivity, although the characters sometimes came across as more cartoon-like than real.

The house ensemble rose to the challenge with spirit and skill. Albert Bonema's dapper, distinguished-looking Bruno sang heroically, capturing the tortured humanity of a control-freak who cannot cope with his own inadequacy. Christa Ranzacher's doll-like Stella was brilliantly acted, if less successful in getting the words across. Orchestras and choruses were in the safe hands of Hans Drewanz, but there is more to this gutsy, acerbic, duplicitous music than they could reveal.

Andrew Clark

Huddersfield Music Festival

In-music and out-music

I do not say that Richard Steinitz, the festival's resourceful director, displays any narrow bias. Huddersfield has recently given house-room to Michael Torke, the elegantly witty American post-minimalist, and the post-serious, Viennese-nostalgic R.K. Gruber, and this year the serene, unclassifiable Judith Weir - all of them "accessible", whereas the most determined modernists refuse to be. In this context, however, they have seemed engaging but marginal.

The real action is supposed to lie with the dedicated modernists, for whom success means high-minded state support (especially on the continent) for music aimed at tiny, specialised audiences, in the hope of advancing the music of the future. I would not be so sure: it is far from obvious that the true development of "serious" music lies in arcane theoretical refinements, glist to the university dissertation-mills through they certainly are.

The composer Brian Ferney-

hough, featured at Huddersfield this year, is a tantalising case in point. An ex-Brit, he has made his career in Holland, Switzerland and Germany, and now holds a professorship in California. Some large-scale pieces have shown him earlier to be a powerful, communicative talent, but his latest work grows ever more spidery, abstractly dense, low-profile and private. Sniff for ultra-sophisticated connoisseurs' ears; but is anybody else listening?

The music of Wolfgang Rihm (b. 1953), another featured composer here, has always been angry and rebarbative, deliberately "ugly" so as to disavow any classical idealism. His 1983 *Silence to be broken* retains its aggressive punch, and his 1977 *Music for Three Strings* still sounds like an epic confrontation - muscular, envious, frustrated - with Beethoven's "Grosse Fuge" quartet-movement. To Tip-

pet's question, "Why can we no longer compose toward a triumphant resolution like Beethoven's?" Rihm returns a bitter answer.

In his latest works, however, the physical immediacy seems to have dwindled into short-breathed coughs: still pungently nasty, but emitted in what is now a dry routine. Rihm needs a new target to focus his unforgiving anger - though his 1990 *In memoriam* for Nono, a major influence, was plainly lit up by a sense of grave, personal loss.

We had a superlative violin-duo recital by Irvine Arditti and Mikko Kanno, and above several youngish, trendy-ish composers dropped their modernist defences. Writing for a simple pair of gutsy instruments seemed to have disarmed them. Until now, Rihm's 44 duos have constituted the whole repertoire; but almost everything we heard - Hilda Paredes' eastward-leaning *Permutaciones*, distinctive student-pieces by Peter Rosser and Bryn Harrison, and above all the brilliantly characterised chapters of James Dillon's *Transmurmur* - could enrich that repertoire at once. Faced with so tight a challenge, modernists can turn into practical, imaginative musicians.

David Murray

Concerts/Richard Fairman

Tuned in to Bartók

It is 50 years since Bartók's death. In that half century his music has been performed, recorded, accepted as a significant addition to the western classical music tradition the world over. It should not make any difference whether it is being performed today by Hungarians like himself or not, but somehow it still does: the native Hungarian roots go deep.

At the weekend strands of Bartók started up independently at two London concert-halls. The six string quartets are as substantial a legacy as Bartók bequeathed in any musical form and fit together ideally to make two recital programmes. On Thursday, the Takács Quartet, arguably Hungary's leading chamber group, started by grouping together Quartets Nos. 1, 3, and 5, although they threw in the humorous, guitar-like allegro from No. 4 as an encore for those not returning for the rest on Saturday.

A traditional Hungarian flavour in the musical syntax permeates not only the passages openly derived from folk music, but also some of the

most adventurous music, where Bartók would seem to be experimenting freely. While other groups are single-minded in their pursuit of a spare, very 20th-century concentration, the Takács players find a deeper resonance in the music. There was warmth, even nostalgia here, expressed with intuitive feeling. They are simply closer to the Hungarian earth.

On Sunday, at the Barbican, the veteran Hungarian violinist Georg Solti. A pupil of Bartók himself, he is the obvious conductor to choose for an authoritative series devoted to the composer's music. Through this week the London Symphony Orchestra is presenting three concerts with him, two orchestral and one chamber. In fact, it is not so long since Solti conducted a similar Bartók series with the London Philharmonic on the other side of the river, but that is no reason not to enjoy it again.

His energy remains remarkable. It is no longer perhaps the unstoppable drive that powered his performances a decade or more ago, but there is a constant forward movement that can flare up with the

old intensity when he wants to turn the switch. His performance of the *Dance suite* was rugged, firm, powerful at the climaxes. Using all the LSO strings, he made the favourite *Music for strings, percussion and celeste* more full-bodied than it often is, digging so deep into the music as to make Boulez at the Proms seem quite pussy-footing in retrospect.

At Boulez's 70th birthday concert with the LSO earlier in the year Bartók's Second Violin Concerto was played by Kyung-Wha Chung and she returned here to repeat it with Solti. The concerto is a speciality of hers, a score through which all her pent-up nervous energy can be channelled. Occasionally she glanced at Solti as though wanting to ask why he had slowed a little over the years, but altogether this was an absorbing performance, its onward vigour equalled by its inner understanding. The Hungarian spirit lives on.

The Takács Quartet was presented by the Royal Philharmonic Society; the other two Solti/Bartók concerts are on Thursday and Sunday

INTERNATIONAL
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AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● New London Consort: with conductor Philip Pickett, sopranos Catherine Bott and Helen Parker, tenor Christopher Brown and bass Michael George perform works by Purcell: 3pm; Dec 2
OPERA & OPERETTA
Het Muziektheater
Tel: 31-20-5518117
● Die Zauberflöte: by Mozart. Conducted by Hartmut Haenchen and performed by the Nederlandse Kameropera. Soloists include Kurt Rydl, Michael Schade, Mary Dunleavy, Christine Schäfer and Andreas Schmidt; 7.30pm; Dec 1, 4

BARCELONA

EXHIBITION
Fundació Joan Miró
Tel: 34-3-3291908
● David Tremlett - Dibujos en la pared: an exhibition of drawings by the British artist, including works

made between 1975 and 1995 and four drawings on the wall that were created specially for the museum; from Nov 30 to Jan 28

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Rundfunk-Sinfonieorchester Berlin: with conductor Serge Baudo and pianist Karina Wisniewska perform works by Milhaud, Mozart, and Honegger: 8pm; Dec 3
OPERA & OPERETTA
Komische Oper Tel: 49-30-202600
● Glutino: by Handel. Conducted by Charles Farncombe, directed by Harry Kupfer and performed by the Komische Oper. Soloists include Michael Rabalder and Dagmar Schellenberger; 7pm; Nov 30

DRESDEN

CONCERT
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Gidon Kremer and Oleg Maisenberg: the violinist and pianist perform works by Schoenberg, Reger, Enescu and R. Strauss; 8pm; Dec 1

FRANKFURT

THEATRE
Südküchen Bühnen - Oper, Ballett, Theater Tel: 49-69-21237444
● Basil: by Brecht. Directed by Anselm Weber and performed by the Schauspiel Frankfurt. Soloists include Wolf Bachofer, Eva Gosciejewicz and Eleonore Zetsche;

7.30pm; Nov 30; Dec 6

GOTHENBURG

CONCERT
Göteborgs Konserthus
Tel: 46-31-7787800
● Göteborgs Symfoniker: with conductor Hugh Wolff, soprano Carolina Sandgren and pianist Janos Solymos perform Bartók's Piano Concerto No.3 and Mahler's Symphony No.4; 7.30pm; Nov 30

HELSINKI

OPERA & OPERETTA
Opera House Tel: 358-0-403021
● Die Fledermaus: by J. Strauss. Conducted by Ari Angervo and performed by the Finnish National Opera; 7pm; Nov 30; Dec 4

LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● Dave Brubeck Birthday Bash
Concerts: with the London Symphony Orchestra and conductor Russell Glynd. Soloists include Dave Brubeck, Darius Brubeck, Chris Brubeck, Matthew Brubeck, Dan Brubeck and Bobby Mitchell. The performance includes Blue Rondo à la Turk, Three to get Ready and Take Five; 7.30pm; Dec 2
Royal Festival Hall
Tel: 44-171-9604242
● The London Philharmonic: with conductor Marius Jansons, cellist Mischa Maisky and narrator Malcolm Sinclair perform works by Schoenberg, R. Schumann and Brahms in connection with the International series The Road Beyond: Music commemorating the

end of the second world war; 7.30pm; Dec 3

Wigmore Hall Tel: 44-171-9352141

● Vienna and the Romantic Century: The Nash Ensemble with conductor Ian Brown, mezzo-soprano Dagmar Pecková and tenor Herbert Lippert perform Wagner's Siegfried Idyll and Das Lied von der Erde by Mahler/Schoenberg; 7.30pm; Dec 2
JAZZ & BLUES
Royal Festival Hall
Tel: 44-171-9604242

● John Williams Trio: lunchtime music concert in the foyer by the chamber jazz trio, who perform music influenced by folk and Latin American music; 0.30pm; Dec 1

● A Little Night Music: by Sondheim. Directed by Sean Mathias and performed by the Royal National Theatre. The cast includes Judi Dench, Laurence Guittard, Patricia Hodge, Siân Phillips, Joanna Riding and Lambert Wilson; 7.15pm, Wed & Sat also 2pm; from Nov 30 to Dec 6 (not Sun)

THEATRE
Lyttelton Theatre
Tel: 44-171-9210631

● The Way of the World: by Congreve. Directed by Phyllida Lloyd and performed by the Royal National Theatre. The cast includes Geraldine McEwan, Fiona Shaw, Roger Allam and Richard McCabe; 7.30pm; Dec 1

MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100
● Silvia Torán: the pianist performs

works by Berg, Rachmaninov and Bartók; 7.30pm; Nov 30

MUNICH

OPERA & OPERETTA
Nationaltheater
Tel: 49-89-21851920
● Die Zauberflöte: by Mozart. Conducted by Peter Schneider and performed by the Bayerische Staatsoper. Soloists include Kurt Moll, Gösta Winbergh, Helen Kwon and Ruth Ziesak; 7pm; Nov 30; Dec 3

NEW YORK

AUCTION
Sotheby's Tel: 1-212-806-7000

● Fine American Indian Art: including northwest coast and Eskimo sculpture, basketry and textiles from various private collections; 10.15am & 2pm; Nov 30

CONCERT
Carnegie Hall Tel: 1-212-247-7800

● American Composers Orchestra: with conductor Dennis Russell Davies, soprano Frances Lucey, mezzo-soprano Victoria L'vengood, tenor Richard Frickner, baritone Zheng Zhou, bass Stephen Morscheck and the Morgan State University Chorus perform Glass & Wilsons The Civil Wars: a tree is best measured when it is down, Act V - The Rome Section; 3pm; Dec 3

EXHIBITION
International Center of Photography Midtown
Tel: 1-212-880-1777

● Eve Arnold: In Retrospect: black-and-white photographs with themes from politics to entertainment and social movements around the world, in a retrospective

of Arnold's career as a photojournalist; from Dec 1 to Feb 11

JAZZ & BLUES

The Metropolitan Museum of Art (Auditorium) Tel: 1-212-5703949
● Billy Taylor & The Billy Taylor Trio: pianist Billy Taylor, bass player Chip Jackson and drummer Steve Johns join forces with trombonist Slide Hampton in the series Jazz Models and Mentors; 7pm; Nov 30
OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● Un Ballo in Maschera: by Verdi. Conducted by Mark Elder and performed by the Metropolitan Opera. Soloists include Deborah Voigt, Francisco Araiza and Leo Nucci; 8pm; Dec 1, 5 (7.30pm)

PARIS

CONCERT
Maison de Radio France
Tel: 33-1 42 30 15 16

● Orchestre Philharmonique de Radio France: with conductor Lev Markiz and pianist Alexei Lioubimov perform works by Haydn, Oustovolskaja and Shostakovich; 8pm; Dec 1

● Saito Playel Tel: 33-1 45 61 53 00
● Orchestre Philharmonique de Radio France: with conductor Gianluigi Gelmetti perform Mahler's Symphony No.8; 8pm; Dec 2

VIENNA

CONCERT
Musikverein Tel: 43-1-5058881
● Arts Quartet: perform works by Brahms and Dvorák with viola-player Michael Schnitzler and pianist Stefan Vadar; 7.30pm; Nov 30

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Wednesday November 29 1995

No revolution for software

In recent weeks, computer industry conferences have echoed claims that the Internet will not merely remake society and culture, it will also transform the economic underpinnings of the software industry. In particular, it is argued, the dominance of Microsoft will be replaced by a new era of much more open competition. Personal computer users will not buy big software suites but will download compatible mini-programs when they need them.

There are several intertwined themes to this argument. First, it is claimed that the Internet offers a new model for software distribution. By making your program available on the Internet's World Wide Web, you incur no marginal cost each time another potential user downloads it. This offers an easy way of offering free trials, allowing aggressive software houses to bid for market leadership. Netscape has built its business on just such a technique. All its competitors will need to learn the lesson - though they will also be aware that Netscape had no existing retailers to worry about.

This trend goes hand in hand with a switch by the big software companies towards getting their money in the form of low but frequent upgrades rather than from higher first-time purchases. Electronic distribution will reinforce this trend. But remember, there is nothing new in "renting" software: this is how the business ran for its first 30 years.

Significant benefit

A second theme is that the Internet protocols at last achieve the long-sought aim of easy computer-to-computer communications. Would-be communicators can now send and receive visually rich messages without having to worry about the make of the machine at the other end. This is a significant benefit. But already, proprietary standards are starting to supplement the commonly agreed ones. Soon, customers and developers will have to choose between rival sets of "enhancements" to the standards.

True, no company has the market dominance enjoyed by IBM in its mainframe heyday, when it could use control of standards as

an absolute barrier to competitors. Now, companies like Microsoft, Adobe and Netscape openly publish their standards, allowing competitors to adopt them also. But that merely reinforces the momentum behind the winner.

Universal compatibility

The third theme is the growth of "object-oriented" programming languages, which allow programs to be put together out of re-usable blocks of computer code, as opposed to having to write them afresh each time. The most fuss is made about Sun's Java, a version of the long established language C++ specially adapted for use on the Internet. PC users will no longer find themselves buying bloated software suites from Microsoft or IBM's Lotus, it is argued. Instead, they will download the Java mini-programs they need, paying only for what they use and ensuring they always have the latest version. And because Java programs are insulated from the detailed workings of the computers on which they run, the same program can run without alteration on many different types of computer.

Sounds attractive? Well, it's not new: such universal compatibility has been offered before, and users have consistently chosen not to pay the performance penalty involved. Similarly, there is no evidence that PC software suites will lose their appeal. Precisely because they bundle together many different functions at a low price, they represent an astonishing bargain. Most customers will be unwilling to surrender this value for money for a notional freedom to pick and choose their own software components.

Today's software market is the way it is not because of some evil conspiracy in Seattle, Microsoft's home town, but because it meets most consumers' interests most of the time. The power to set standards follows from that success. Changing technology widens the range of possible market structures, but does not affect customers' underlying needs and preferences. In the battle between the technologically possible and the economically attractive, economics always wins.

Rebuilding Bosnia

The principal task of the 60,000 strong Nato peace implementation force for Bosnia, which President Clinton and other western leaders are seeking to put together, is to separate opposing forces and police the new dividing lines agreed at Dayton, Ohio. But the presence of these well-armed foreign forces is also needed to provide the minimum security required to begin the long and difficult task of economic, social and political reconstruction.

What happens after the Nato force retires from the scene, probably after a limited 12-month period, will depend largely on the progress made towards rebuilding economic and other ties in this time.

A conference to discuss the civilian aspects of the Dayton accords will take place in London in two weeks' time. Speedy implementation of whatever is agreed will be essential. But this should not be at the expense of thinking seriously about the objectives of foreign economic and financial assistance.

The task at hand is not merely to start the reconstruction of an economy which has been over 70 per cent destroyed by nearly three years of war. It is also about building a different kind of economy from that left by Tito as a legacy to the whole of former Yugoslavia. Insufficient attention has been paid to the economic factors which led up to the explosion of ethnic tensions in June 1991. The last 15 years of federal Yugoslavia were a period of mounting economic crisis, culminating in hyperinflation and default on the country's \$25bn foreign debt.

White elephants

The economic nationalism which accompanied the political dispersion of power to the constituent republics led to the wasteful use of foreign loans to build steel works and power stations in the search for local autonomy. It ended with every republic feeling cheated and exploited by its neighbour. The worst that could happen would be for foreign aid to be channelled into reviving these capitalist-era white elephants.

So when planning the economic reconstruction of Bosnia, attention should be paid to the lessons

learned from the transformation of former socialist economies over the past six years. Slovenia and Macedonia, two republics which seceded from Yugoslavia relatively unscathed, and Albania which was an economic basket case five years ago, have all persevered with market-orientated policies. They have shown that it is possible to build up reasonably efficient banks, promote private initiative and turn around small economies within a few years.

Policy objective

Bosnia is clearly in a different category, given the terrible scale of the forced migration of people. But creating a framework for private initiative should be the principal policy objective. The priorities should be to help people rebuild or repair their homes, shops, schools and hospitals, and to create a channel for the allocation of small-scale loans at a grassroots level.

A bottom-up approach is essential. There is no shortage of building skills in Bosnia and little alternative employment, except for agriculture. Most of the factories have been destroyed and those still working are mainly for military purposes.

The way in which food aid to Albania was distributed and sold at market-related prices to feed people without destroying incentives for domestic farmers also provides a useful model for restoring life to the ravaged Bosnian countryside.

Rapid privatisation, self-help building projects and a reshaped food aid system are the keys to re-starting economic activity. But the World Bank also highlights the need for building the administrative structures needed to sustain longer-term reforms and infrastructure investment.

The \$30m which the World Bank suggests would be needed to set up and pay the salaries of a high-quality economic administration for Bosnia would be a good investment to ensure that the longer-term inflows of aid, which could total as much as \$3bn-\$5bn, are managed efficiently and honestly. But for all these things to happen a minimum degree of security has first to be assured by Nato.

Ireland's greater expectations

President Clinton hopes his visit will be more than just a celebration of the suspension of violence, write John Kampfner and Jurek Martin

There is one thought which curdles the blood of Whitehall mandarins. It is the idea of a peace settlement for Northern Ireland brokered by the US administration with the UK government playing only a minor part.

As President Bill Clinton arrives in London today, US officials have done their best to reassure British officials that they will not force an agreement on reluctant parties. They have been at pains to emphasise that their role has been to facilitate an agreement between the British and Irish governments to bring a lasting political settlement in Ulster.

Centuries of turbulent history, nearly three decades of "the troubles", and 15 months of uneasy ceasefire do not lend themselves to clear-cut solutions. Yet when a presidential trip to the British Isles was first mooted in the early summer, Washington certainly hoped Mr Clinton would be setting the seal on a new phase in the peace process.

At the time, the prospects for a lasting settlement appeared rosy. The first anniversary of the IRA ceasefire had not yet passed, and Sinn Féin was making more conciliatory gestures. Over the subsequent months, as Protestants and Catholics marched through the streets and a planned summit between the British and Irish prime ministers broke down, the atmosphere turned sour.

The Anglo-Irish relationship, which would underpin any successful peace initiative, appeared at the beginning of this week to be at its lowest ebb since well before Mr John Major signed his Downing Street declaration in December 1993 with Mr Albert Reynolds, the then Irish prime minister.

The Irish government blamed the three "Washington principles" outlined by Sir Patrick Mayhew, Northern Ireland secretary, during a visit to the US capital in March. These

made clear that Sinn Féin would not be allowed into all-party negotiations until it accepted the principle and practicalities of decommissioning IRA weapons, and, crucially, took a first step towards achieving that.

The UK government argued that nothing short of such a gesture would ensure that the Ulster Unionists, the main party in the province representing the majority Protestant community, would take part in round-table talks. The party's newly-elected leader, Mr David Trimble, insisted he would not have formal dealings with Sinn Féin unless it demonstrated its democratic mandate, by handing in weapons and putting its popularity to the test in elections for an assembly for Northern Ireland.

Both governments believed they were on the point of finding a way around the problem. This was the "twin track" strategy which involved the establishment of an international commission to oversee the decommissioning of paramilitary weapons. Its work would take place alongside preliminary political talks involving the leaders of the province's main parties and the British and Irish governments.

Progress was painfully slow. Such was Dublin's concern over the state of affairs that it led to an outburst by Mr John Bruton, the current premier, who implicitly accused Mr Major of footdragging.

Sinn Féin began to warn more darkly about a return to violence, while British security officials said a breakdown in the peace could not be discounted. Of most concern was the possibility of breakaway republicans factions, disgruntled at the stalling of the political talks, hiving off IRA arms and using them to resume terrorist attacks.

As Mr Major and Mr Bruton failed to reach agreement, the Americans decided to scale down the length and political significance of the president's visit. Indeed, the trip

could easily have been cancelled, like that to Japan two weeks ago, if the protracted government shut-down during the confrontation between the White House and Congress over the budget had not been temporarily settled.

Once conceived as a deadline for a breakthrough in the Ulster peace process, it is now billed as a "celebration" of the cessation of violence in the province and an exhortation that progress be continued.

But mostly its purpose has been overtaken by last week's peace agreement in Bosnia and the overriding need to persuade the US Congress and public not to block US participation in the planned Nato force. Thus Bosnia and the longer-term future of Nato will be at least as important as Northern Ireland in the president's talks today with Mr John Major, the British prime minister, and his lunchtime Westminster address.

However, the mere fact that Mr Clinton will be the first serving president to visit the province, "sends a strong message to the people of Northern Ireland to build on the peace," says a senior White House official. And Sir John Kerr, the UK ambassador in Washington, dismisses as "nonsense" any suggestion that Mr Clinton's presence constitutes "gross interference in our internal affairs".

"We welcome his going because there is a good story to tell," he says.

Travelling with the president will be the secretaries of commerce and education and a coterie of senior businessmen the administration would like to see invest in Ulster. Mr Clinton will make a speech tomorrow at the Mackie engineering plant in west Belfast, on the "peace line" that separates Protestant and Catholic strongholds in west Belfast. He will also meet poli-

ticians of all stripes, many of them recent visitors to the White House, at a reception tomorrow night at the Queen's university, Belfast.

The Ulster Unionists, convinced that the Clinton administration is playing to a "green" agenda, say they will use the opportunities to meet the president to press their case on an assembly and to ensure Sinn Féin compliance with the British demands. They acknowledge that for the first time Mr Trimble and Mr Gerry Adams, Sinn Féin president, will find themselves in the same room, but shudder at the talk of a handshake or meeting being engineered. As one party official put it: "We're not planning to walk out of anything, but the Americans are world leaders in gimmicks and stunts".

The administration has told Mr Adams, in a series of tough meetings in recent months, that it remains committed to the "twin track" approach. Privately, British officials say Mr Clinton's visit may serve a useful purpose if he uses it to persuade Mr Adams to accept the need to discuss IRA weapons and to accept they are not morally equivalent to the arms and activities of the British security forces. Downing Street also believes it can exercise some leverage this week on the White House because of the need for British military involvement in the new phase in Bosnia.

A target date of next February or March is being tentatively mooted by the UK and Irish governments for full negotiations on a political

settlement. But the British are wary of committing themselves to a date or ceding too much control over decommissioning. Mr George Mitchell, the former Senate majority leader, remains on standby to head the international panel to oversee the decommissioning of arms.

Transatlantic relations have improved since the president's decision in January to reward Sinn Féin for the ceasefire by granting its leader a visa which put US-British relations at a low. But there remains an underlying bitterness between Washington and London, fuelled by incidents such as Conservative party support for the republicans in the 1992 US election campaign, sharp policy disagreements over Bosnia, and Mr Clinton's non-appearance at last year's VE Day celebrations in London.

The broader US concern about the value of the "special relationship" is the UK's increasing marginalisation in the affairs of the EU. This has prompted a clear strengthening of the lines of communication between Washington and Bonn at the expense of London.

British officials will regard the Clinton visit as a modest success if the president makes the "right noises" about IRA arms, plays his part in reassuring Unionist opinion and keeps his blandishments to Sinn Féin to a minimum. But if by the time he leaves Ireland he leaves the peace process in a less precarious stage than he found it, Mr Clinton may yet feel able to boast about another foreign policy success.



John Bruton, the taoiseach



John Major, UK prime minister



Gerry Adams of Sinn Féin



Bill Clinton, US president, who is visiting the UK and Ireland

OBSERVER

Time to treat your true love

■ With only 26 days to go before Christmas, here is a story to warm your heart. The cost of all the presents in the seasonal song *The Twelve Days of Christmas* has this year dropped considerably. Well, in the US, at any rate.

Philadelphia's PNC Bank, which has been compiling an index for more than a decade, says that the big bonus this year is a dramatic slump in the price of "seven swans a-swimming". They have fallen by 50 per cent, knocking \$3,482.55 off the annual bill.

As a result the total cost for giving one's true love everything from 12 drummers drumming to a partridge in a pear tree this year is \$12,481.55 - down 21.7 per cent from 1994, and the lowest level since 1986. Apart from a 0.8 per cent dip in 1988, it is the first time that the price of Christmas has fallen significantly.

The drop in the price of seven swimming trumpets seems to be thanks in part to the US swan population having risen from 73 in 1935 to more than 14,000 now. The only increase on the list is 10 lords a-leaping - up 5.6 per cent at \$2,182.57.

PNC has also calculated what it calls the true cost of Christmas - the price for all of the gifts in the song each time they are mentioned. That bill - for all 364 presents,

including 12 partridges in a pear tree, eight milkmaids, five gold rings and the rest - is \$61,764.94, down 29.4 per cent from 1994.

Now who doesn't believe in Santa Claus?

A stitch in time

■ If that hasn't got you into the Christmas spirit, then take note of news from Kureway, a Japanese synthetic-fibre manufacturer.

It's starting to produce rayon yarn, the thickness of which is determined by the music played when it is made.

"We have 14 different pieces of music, including *Jingle Bells*, *Rudolph the Red-Nosed Reindeer* and a Japanese folk song," says the company.

A yarn-producing machine is connected to a CD player, which converts the length and the strength of sound into pressure, which in turn is used to change the thickness of the yarn.

"The machine makes a thick and long piece of yarn when there is a long, loud sound," it adds.

So presumably for very large, dense overcoats they're playing anything by Sir Andrew Lloyd-Webber.

Gifford's law

■ A blast from the past. Lord Gifford QC, 55, once the favourite loony left-lawyer of the UK

tabloids, has resurfaced from his Jamaican hideaway with a call for Britain's House of Lords to be abolished.

He says his inherited peerage is a millstone round his neck, and wants the opposition Labour party to honour its pledge to replace the Lords with an elected chamber. Gifford, now a Jamaican citizen, used to be a big wheel on the left of British politics. He was once talked of as a future Labour lord chancellor.

However, Labour has moved on, while Gifford has stood still. A celebrated advocate of human rights, he is now campaigning for European countries to pay reparations to African and Caribbean nations which suffered from slavery. The likelihood of New Labour taking Gifford's advice on this subject is probably as slim as the chances of Labour scrapping the House of Lords.

These days Labour's legal affairs are in much safer hands with Lord Irvine of Lairg, one of Gifford's Cambridge contemporaries, tipped to be Labour's next lord chancellor. Both Tony Blair, Labour's new leader, and his wife, Cherie, were pupils in his chambers.

Signing off

■ The organisers of today's parliamentary elections in Egypt seem to be masters of political farce.

To help distinguish between the

4,040 candidates, they have allocated to each a symbol which appears on all the publicity material. It is a device designed primarily to help the high number of illiterates - 50 per cent of the population - who wish to vote.

Not surprisingly, the ruling National Democratic party gets the most sought-after symbols - the camel and the moon crescent. Others get an apparently random range of umbrellas, cars, ladders, fish, boats, telephones, televisions etc. What is more, some are shared - a communist in one constituency might share the bicycle with a capitalist in another.

Two symbols, however, have obviously been allocated with some care. Most of those running for the Islamist group, the Muslim Brotherhood, wind up with either a gun or a sword.

More brain power

■ An explorer stumbles upon a region specialising in cannibalism, and spots in a butcher's window this sign: "Artists' brains \$9 a pound; philosophers' brains \$12; scientists' brains \$15; bond salesman's brains \$20."

He says to the butcher: "Gee, those bond salesman brains must be popular."

"Are you kidding?" replies the butcher. "Do you know how many salesmen it takes to get a pound of brains?"

100 years ago

Sharp work, even from a Yankee. An excellent effect was produced on Illinois Central shares yesterday by the announcement from the company that the new issue of ten million dollars stock had been authorised by the stockholders at the special meeting held in Chicago on Tuesday, November the 26th. That the meeting would agree to the issue was no doubt a foregone conclusion, but we must really venture a mild protest against the Company's calm assumption that the consent was bound to be given. A correspondent sends us a circular which he received from Chicago on the 22nd, but which politely informed him that the stockholders had authorised the issue at their meeting on the 26th. This is sharp work, even from a Yankee, and to add injury to insult, the postage was not paid.

50 years ago

Mr Churchill on state control. Mr (Winston) Churchill yesterday described the vote of the electors at the general election as "one of the greatest disasters that has smitten this country." We were, he declared, being "harassed, harried, hampered, tied down and stifled for vaguely thought-out and physically unobtainable plans for a Socialist future."

States breaking EU laws may have to pay damages

By Robert Rice,
Legal Correspondent, in London

European Union governments can be sued for damages by individuals and companies for failure to apply EU laws correctly, the Advocate-General of the European Court said yesterday.

The preliminary opinion in four cases on the issue of state liability for breaches of EU law could result in the UK government paying more than \$30m (\$46m) in compensation to Spanish fishermen banned from British waters in 1989, and German holidaymakers being reimbursed by their government for cancelled package tours.

Although the opinion of the Advocate-General is not binding, it is normally followed by the court when delivering a final judgment.

The court's decision is expected early next year.

Yesterday's opinions from Mr Giessepe Tassaro follow from a landmark decision by the Luxembourg court in 1981, in which it ruled for the first time that EU states could be liable to pay damages for failure to implement

Governments can be held liable for infractions, court contends

EU liability ruling turns spotlight on Court Page 2

European directives within the prescribed time limit.

It was that decision which prompted Eurosceptic MPs in the UK to call for the court's powers to be curbed at next year's inter-governmental conference.

But while the Advocate-General confirmed the principle that states can be sued for failure to implement directives properly, or on time, Mr Tassaro made it clear that not all breaches of a state's EU legal obligations would result in an automatic entitlement to damages.

For a state to be liable for a breach of its EU law obligations, the breach had to be "manifest and serious", he said. In two of the cases before the court, he felt the failure to apply EU law was not serious enough to justify the payment of compensation.

He ruled that a claim by British Telecommunications against the UK government for losses which it says it incurred as a result of complying with EU procurement rules incorrectly implemented in the UK should be rejected.

He said the incorrect application of the law was not a manifest breach of the UK's EU obligations.

Mr Tassaro also recommended that a French brewery which had been banned in 1981 from selling beer in Germany because of Germany's strict purity rules, should not be compensated for loss of income and profits.

At the time the ban was imposed, the relevant EU law which outlawed the German purity rules was unclear, he said. In cases where damages are payable, the Advocate-General said, the level of compensation should be set by national courts.

Global regulator urged for information highway

By Alan Cane in London

Development of the information superhighway - a global high-capacity telecom network - may be hindered by lack of internationally agreed "rules of the road", according to a study on communications.

Pointing out the possibility of technical incompatibilities and trade friction if companies are treated differently in different markets, the report outlines the case for a "global regulator" within the structure of the new World Trade Organisation.

The report's authors, Mr Vincent Cable and Ms Catherine Diller, say growth of telecoms is outstripping the ability of national authorities to co-ordinate a suitable international regulatory regime.

"One of the potentially most serious constraints on the development of new communications systems at a global level," they write, "is the lack of governance: systems of rules, law and dispute settlement which all players can accept as efficient and equitable."

Mr Cable, chief economist designate at BT in the UK and Ms Diller, co-founder of Promethea, a Paris-based think-tank, discuss the question in a report published by the Royal Institute of International Telecommunications Policy.

They conclude that there is an urgent need for global rules for competition by "opening up closed markets but looking beyond that to establish compatibility between different national and regional systems of regulation, standards-setting and competition policy".

"They point out that issues such as intellectual property rights, encryption (the encoding of material travelling through a telecom system so it is intelligible only to intended parties) and government control on cross-ownership have global rather than national aspects."

"Encryption, for example, raises tricky and emotive issues connected with organised crime and national security and cannot be treated simply as a business problem."

Some matters - scarcity of a radio spectrum for mobile services, for example - are already established public policy issues. But the authors emphasise, advancing policy at an international level in a generally liberal direction is difficult when boundaries of the topic are continually shifting.

It will become increasingly apparent, they write, that there is a case for a "global regulator", probably located within the new WTO, that can set principles within which national regulators should operate.

*Global Superhighway, Chatham House, 10 St James Square, London SW1Y 4LE

Hush Puppy Budget

If the UK government was out to bribe the electorate yesterday, it did not do a terribly good job. The Budget contains little red meat to appeal to the voter. Tax cuts there are, but they amount to a modest £3.1bn net and are more than covered by £3.3bn in spending cuts. This is about the least irresponsible pre-election Budget one could imagine.

It is, of course, possible that Mr Kenneth Clarke, the Chancellor, is hoping to woo the voter with lower interest rates. All other things being equal, responsibility on the fiscal front would enhance the case for looser monetary policy. The snag is that Mr Clarke's Budget also forecasts economic growth rising to a healthy 3 per cent next year. If he believes that - and few outside observers do - it will be harder to argue that rates must be cut to stop the economy slipping into recession.

Normally, a responsible Budget would be a cause of celebration in financial markets. Yesterday's, though, is unlikely to cause many champagne corks to pop. Part of the reason is that expectations of a giveaway Budget had already been massaged downwards and so the responsibility comes as little surprise. Glits and equities have already rallied.

The gilt market may be unmoved by the fact that the public-sector borrowing requirement is forecast to be £22.5bn next financial year - higher than most had expected and hard to reconcile with the bullish growth forecast. Markets will also have been unpleasantly surprised by the high growth forecast and the implication that interest rate cuts may be delayed. An interest rate cut is not of the agenda, if the economic news continues to be gloomy. But markets are unlikely to bank on it.

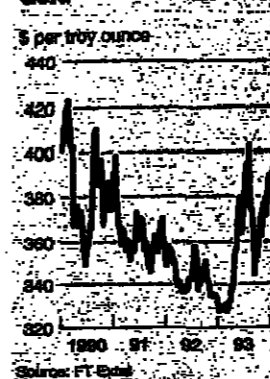
Gold

Long-suffering gold investors must have thought that Christmas had come early. Increased hedging activity, particularly from South African mines, has boosted demand for borrowing gold at a time when central banks are unwilling to lend their vast gold reserves, as they balance their books for the year end. As a result, spot prices yesterday exceeded forward prices for the first time in decades. And pundits are once more claiming that this will bring speculators back into a long moribund market, and drive the gold price back up to \$400 per ounce.

THE LEX COLUMN

FT-SE Eurotrack 200:
1557.6 (+3.3)

Gold
\$ per troy ounce



Source: FT-SE

Speculative activity is of course hard to predict, but there is sufficient fundamental evidence to suggest that any rally will be short-lived. Demand for gold from most of the important Asian markets has been falling over the last six months. Moreover, gold jewellery purchases are sufficiently price sensitive for the latest price rally further to restrain demand. Gold's role as an inflation hedge has long been discredited, removing another source of buyers. Meanwhile sellers will be sucked in by higher prices. Even the current squeeze in the gold lending market is unlikely to last. Central banks are likely to increase lending stocks next year, reflecting the higher returns.

Gold buyers have always argued that the reason for traditionally low lending rates on gold, which averaged around 1 per cent over the last decade, was the expectation of healthy capital returns. With the current rate at around 5 per cent such expectations seem even more likely to be dashed.

Wolters Kluwer

Dutch publishing group Wolters Kluwer's \$1.9bn acquisition of CCH takes it a big step closer to its main rival Reed Elsevier. Like Reed's \$1.5bn purchase of legal publisher Lexis-Nexis in late 1993, CCH increases Kluwer's exposure to the US and gives it a beachhead in the rapidly growing electronic publishing market.

Around 30 per cent of the enlarged group's revenues will come from the US, compared with a tenth now. And a third of CCH's products are online, although that compares with 80 per cent at Lexis-Nexis. But CCH's tax and

healthcare manuals dovetail neatly with Kluwer's existing activities. And there is scope to raise margins from single figures currently to the group average of 20 per cent over the next two years.

Nonetheless, Kluwer has been forced to pay a very fancy price. Having outbid Reed by a substantial margin, it is buying CCH for more than three times sales, compared with the 2.4 times Reed paid for Lexis-Nexis. The acquisition will reduce interest cover to around three times and Kluwer has admitted that its 1995 earnings per share will show no increase over 1994.

Since the market had expected another year of 15 per cent growth, it is not surprising that the shares fell 6 per cent yesterday. The purchase of CCH makes strategic sense; and it should not be forgotten that criticism of Reed for the Lexis-Nexis deal has since turned to praise. But for now, on over 20 times forecast earnings for both 1995 and 1996, Kluwer shares look high enough.

Long-term care

The British Chancellor is right to encourage individuals to provide for the costs of their long-term care. If he succeeds he will provide life insurers with a much-needed and potentially huge new market. So far, long-term care insurance has failed to take off - fewer than 20,000 policies are thought to have been taken out. The reason is that care costs are open-ended and enormously unpredictable. Policies are therefore very expensive to take out, especially since people tend not to focus on long-term needs when they are young.

If the government wants these products to take off, it needs to provide both a carrot and a stick. The Chancellor weakened the stick yesterday, by substantially increasing the wealth threshold below which the state will provide. And tax relief for long-term care benefits - rather than premiums - is not, on its own, much of a carrot.

Much more promising is the idea of US-style "partnership schemes", which the Chancellor says he wants to look at. In Connecticut, for instance, the state offers a deal: if individuals insure their own care costs for a limited number of years, the state will look after them thereafter. Since this places clearer limits on insured liabilities, it offers the prospect of much lower premiums - and higher demand.

SNCF's debt

Continued from Page 1

that the government was bailing out the rail company in an attempt to ease the conflict. "Obviously they want to avoid fighting too many battles at once. The risk is that other public sector groups will push their demands," said an economist at one French merchant bank.

Transport ministry officials said the significance of the plan lay in linking further debt relief to productivity gains. In January, the government will take over FRF5bn of the company's debts, with a second tranche of FRF2bn due at the end of the year. From 1997, each franc gained in operating profits will be matched by a franc of debt relief.

SNCF said debt relief was vital to ease the financial pressures facing the company, the result of heavy investments over recent years, the loss of market share and inefficient working practices.



Facing the future: A workman puts the finishing touches to a giant billboard bearing the portrait of Russian prime minister Victor Chernomyrdin, promoting the centrist block 'Our Home Russia'. The block, led by Mr Chernomyrdin, is one of the 42 groupings to take part in next month's parliamentary elections

N Ireland

Continued from Page 1

fly to Belfast and Londonderry to make a series of speeches and to hold a reception at Queen's University which, US officials hope, will be attended by the leaders of all Northern Ireland's main parties.

On Friday the president moves on to Dublin.

The Clinton visit will take on added significance if a deal can be secured.

The two senior civil servants at the centre of the negotiations were understood to have settled differences to a summit communiqué apart from the fine points of several passages.

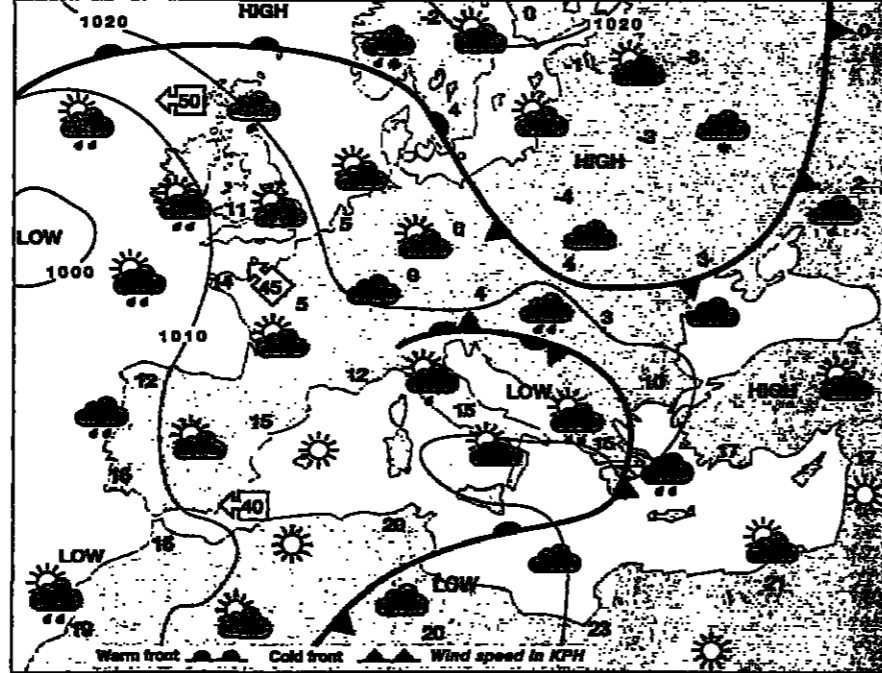
FT WEATHER GUIDE

Europe today

Low pressure south-west of Ireland will bring rain to Portugal and showers to western France and the UK. There will be sunny spells in Spain, France, the Benelux, Germany and Poland. The Balkans will be cloudy, with rain over Croatia, Hungary, Slovakia and western Greece. Showers are expected over northern Italy, but it will be sunnier in the south. The eastern Mediterranean will also be sunny, apart from Turkey's western coast. High pressure will bring dry conditions to the Benelux countries and there will be sunny spells over Russia and the Ukraine. Southern Scandinavia will continue cloudy, with rain on the south coast of Norway.

Five-day forecast

Occasional rain is likely over Portugal, the Balearics, Sicily, Greece and western Turkey from Friday, with the heaviest falls over the Spanish coast. Temperatures will fall in western Europe, Central Europe and the UK will be mainly dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteor Consult of the Netherlands

TODAY'S TEMPERATURES

Abu Dhabi	sun	30	Caracas	thund	30	Paris	rain	17	Rangoon	fair	31
Accra	sun	28	Casablanca	rain	18	Frankfurt	cloudy	18	Reykjavik	sun	22
Algiers	showers	32	Chicago	cloudy	-3	Glasgow	cloudy	16	Rio	sun	28
Amsterdam	fair	8	Cologne	cloudy	6	Hamburg	cloudy	9	Rome	fair	19
Antwerp	fair	16	Dakar	fair	29	London	cloudy	12	S. Francisco	sun	19
Atlanta	fair	8	Dallas	fair	17	Madrid	cloudy	12	S. Paulo	sun	7
B. Aires	sun	24	Dubai	fair	20	Moscow	cloudy	27	Shanghai	showers	31
B. Jean	fair	10	Dublin	rain	4	Mumbai	showers	29	Stockholm	cloudy	1
Bangkok	fair	32	Edinburgh	showers	14	Nairobi	showers	27	Sydney	fair	28
Barcelona	fair	14	Geneva	cloudy	9	San Jose	showers	27	Taipei	sun	20
			Hong Kong	cloudy	27	Singapore	showers	27	Tokyo	fair	13
			Los Angeles	showers	22	Singapore	showers	27	Toronto	fair	-4
			Las Palmas	showers	22	Singapore	showers	27	Vancouver	rain	10
			Lima	rain	23	Singapore	showers	27	Vladivostok	rain	12
			Lisbon	rain	14	Singapore	showers	27	Warsaw	fair	-4
			London	rain	11	Singapore	showers	27	Washington	rain	5
			Luxembourg	cloudy	3	Singapore	showers	27	Wellington	fair	17
			Manila	showers	19	Singapore	showers	27	Winnipeg	fair	-12
			Mexico City	cloudy	27	Singapore	showers	27	Zurich	cloudy	5

Constant improvement of our service.
That's our commitment.

Lufthansa

This announcement appears as a matter of record only.

COMPAGNIE BANCAIRE

Compagnie Bancaire S.A.

Disposal of

UCB Home Loans Corporation Limited

to

Nationwide Building Society

Baring Brothers

acted as financial adviser to Compagnie Bancaire S.A.
in this transaction



Member of ING GROUP

JUNE 1995

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Genencor to acquire Solvay subsidiary

Genencor International, a US-based industrial enzyme specialist, has reached agreement to buy the industrial enzyme business of Belgium's Solvay, a move which will boost Genencor's annual turnover to some \$300m in 1996, twice its level in 1994.

The deal, due to be concluded by the end of the first quarter next year, covers a range of enzyme applications including cleaning products, textiles and food processing, with annual sales of about \$75m and production facilities in the US, Germany and Argentina. No price was disclosed.

The international industrial enzyme market is worth just over \$1bn a year. Genencor is the biggest manufacturer after Denmark's Novo Nordisk. The Rochester-based company is a joint venture between Eastman Chemical Company of the US and Caltor, the Finnish group.

High Carney, Stockholm

Consob hardens line on Ferfin

Consob, the Italian markets watchdog, has ordered Mediobanca, the Milan merchant bank, to launch a public offer for further shares in Ferfin, the Italian holding company, based on the 9.95 per cent stake it already owns. According to Consob, Mediobanca will have to launch an offer by December 30 for additional shares in Ferfin, equal to the stake built up over the preceding 12 months.

Mediobanca believes Italy's convoluted takeover rules require it to buy up a much smaller stake in Ferfin. Now the bank must decide whether to follow Consob's harder line, or challenge it in the courts. Mediobanca bought most of its 9.95 per cent stake in a one-week burst last month, prompting Consob's initial call for a public offer. The bank will be expected to double that stake by offering all shareholders the average price of its purchases. It may also have to extend its offer if it buys more shares as a result of Ferfin's planned L850m (\$865m) rights issue, which the holding company wants to rush through in December.

The merchant bank spent L250m last month increasing its small stake in Ferfin to about 11 per cent, to protect the company and its main holdings - Fondiaria, the insurer, and Montedison, the industrial company - from a hostile takeover. Mediobanca's stake has since been diluted following a number of operations to simplify Ferfin's complex corporate structure.

Andrew Hill, Milan

Phonak 42% ahead at midway

Phonak, the maker of high-technology hearing aids that came to the Swiss market last December, reported a 42 per cent jump in net income to SF8.4m (\$7.2m) in the six months to September 30, thanks mainly to a turnaround in its financial account. Sales were up 4.4 per cent to SF10.8m and operating profit ahead 9.6 per cent to SF11.5m.

The net financial result turned from a SF0.68m expense to a SF0.54m profit following the raising of SF22m in the flotation. The group said its full-year sales would be lower than expected because of the postponement until next year of the introduction of its next generation of hearing computers and because of the strong Swiss franc. Net income would rise more strongly than sales.

Ian Rodger, Zurich

Schwarz Pharma sales improve

Schwarz Pharma, the recently floated German drugs group, said nine-month sales rose from DM647m to DM721.7m (\$502.6m). Nine-month profit growth matched the 11.5 per cent sales rise. The group also predicted sales and profits would improve at double digit rates in 1996.

Reuter, Frankfurt

Carlsberg improves to DKr1.42bn for year

By Hilary Barnes in Copenhagen

Carlsberg, the Danish brewery group, increased pre-tax profits from DKr1.31bn to DKr1.42bn (\$255.5m) in the year to September 30. Net profits grew from DKr885m to DKr1.07bn, well ahead of market expectations. The board proposed an increase in the dividend from DKr3.00 to DKr3.40.

Advances in other markets outweighed the fall in profits at Carlsberg-Tetley, the UK group in which the Danes hold a 50 per cent stake. Charges for structural changes at the UK group were covered by previous provisions and therefore had no impact on the 1994-95 result, the group said.

Turnover rose from DKr16.91bn to DKr18.07bn, while the volume of beer sold increased by 4.7 per cent from 30.19m to 31.61m hectolitres, almost all the increase taking place in sales outside Denmark, which advanced by 5.5 per cent to 26.34m hectolitres.

The Carlsberg brand name beers continued to gain market shares in the UK, Malaysia, China, Israel and Sweden, while the Tuborg brand improved its position in Germany, Turkey, Croatia, Russia and Portugal.

Carlsberg expected continued moderate growth in world beer consumption, with constant intensification of competition. Progress would be made by brands with heavy marketing support and which could reduce operating costs by rationalisation and the application of new technology.

The board said it would therefore accelerate advertising and promotional activities to further strengthen the Carlsberg and Tuborg brand names and would seek through joint ventures, alliances and direct investments to secure its influence on market developments, especially in east and central Europe, China and east Asia.

In spite of a continued high level of investments, the group predicted operating profits in 1995-96 on a level with last year.

Philips to install new chief at Grundig

By Ronald van de Krol in Amsterdam

Philips, the big Dutch electronics group, yesterday signalled its intention to launch a further rationalisation programme at Grundig, its loss-making German associate company, by announcing the appointment of a new chief executive at the company.

Mr Pieter van der Wal, currently chairman of Philips' communications system division, will take up his new post

in February, when the latest round of cost-cutting is expected to be unveiled to staff in Germany.

He will be replacing Mr Pieter Harmsen, who was chief executive of Grundig for four years and who will be returning to another, as yet undetermined, job within the Philips group.

Grundig, hurt by its reliance on the sluggish German market for about 50 per cent of sales, has long been a serious worry for Philips, whose third-

quarter results were hit by continued losses at the company.

When the group's quarterly results were released in late October, Philips said there was no sign that Grundig would manage to narrow its net losses this year from the net loss of DM127m (\$88.5m) incurred in 1994.

Yesterday, Philips declined to be drawn on what kind of rationalisation was being planned. However, it said: "Despite the recent restructur-

ing, the conclusion remains that Grundig's cost base is still too high and must be adjusted to the new realities of the market."

Grundig has already undergone extensive restructuring in recent years, with its workforce nearly halved since 1992, to stand at 11,600 currently.

Grundig said yesterday further job losses could not be ruled out, but added that plans were not yet completed.

Mr Van der Wal, a Dutch-

man like Mr Harmsen, is no stranger to Germany and the high costs of local workforces. In addition to being chairman of the communications division, he is also currently chairman of Philips Kommunikations Industrie (PKI) in Germany, another loss-making part of the Philips group.

It is not yet clear who will replace him at either the divisional level or at PKI.

Philips said it did not blame Mr Harmsen for the continuing losses at Grundig.

UBS to 'go it alone' in US

By Ian Rodger in Zurich

Union Bank of Switzerland, Switzerland's largest bank, has decided to build up its US investment banking business "on our own steam" rather than make a big acquisition, Mr Robert Studer, chief executive, said.

This is in contrast to rival Swiss Bank Corporation, which two weeks ago signalled it was considering a big US purchase. Speaking at the UBS autumn press conference, Mr Studer said growth in the US was crucial to the bank's progress in investment banking. "Succeeding will require time and patience, however, as growing the business will naturally generate significant costs."

Mr Studer pointed out that UBS benefited from "grandfather" status in the US, meaning that it was active in both commercial and investment banking there prior to the pas-



Robert Studer: less expensive to build business organically

sage of the International Banking Act. Therefore, it was unaffected by the Glass-Steagall Act's prohibition against banks being active in the two areas. If it acquired a US investment bank, it would lose this special status. Even though the

repeal of Glass-Steagall is an active issue in Washington, Mr Studer said it remained unclear when this might happen, if at all.

Moreover, the prices of US investment banks were so high that UBS concluded it would be less expensive to build up its business organically.

Mr Studer said UBS aimed to be among the world's top five to seven financial services groups by the end of the decade in three sectors: corporate finance, trading and risk management and private and institutional fund management.

It also aimed to achieve a return on equity of 7 to 8 per cent, above benchmark bond rates by the turn of the century.

He repeated the bank's November 1 forecast that 1995 net income would be higher than last year's SF1.5bn (\$1.88bn).

Wolters Kluwer eyes US publisher

By Ronald van de Krol in Amsterdam

Wolters Kluwer, the Dutch publisher, has unveiled plans for the biggest acquisition in its history with the \$1.9bn takeover of CCH Inc, the US tax and legal publisher.

The deal will boost the Dutch company's presence in the North America and give it access to Australia and New Zealand, marking a departure from its recent acquisitions of tax, legal and medical publishers in Europe.

It also means the company will have to take out bank loans, ending a period in which its balance sheet was free of debt.

Wolters Kluwer will acquire the majority stake in CCH, owned by the Thorne family and make a \$55.50 a share tender offer for the rest of CCH's shares listed on Nasdaq. Before the news was announced on Monday night in Europe, the shares had been trading at \$26.875.

CCH has revenues of \$600m, meaning that the Dutch company is paying slightly more than three times turnover. Last year, Reed Elsevier, the Anglo-Dutch publisher, paid about 2.4 times revenue for Lexis-Nexis, the electronic online publisher.

Mr Cor Brakel, executive board chairman, acknowledged the CCH price was "high" but argued the acquisition was a unique opportunity to buy the leading tax publisher in the US.

Besides Australia and New

Zealand, CCH also has offices in Singapore, Hong Kong and Japan, opening up new markets for Wolters Kluwer. "On our own it would have been difficult to make that strategic step," Mr Brakel said.

In terms of turnover, CCH is about one third the size of Wolters Kluwer, which generated sales of Fl 2.74bn (\$1.7bn) in 1994.

Wolters Kluwer, primarily a European publisher, said CCH would also change the geographic spread of the group. This meant it would adopt international practice and capitalise the goodwill paid on this and future transactions.

The change in accounting standards will keep earnings per share flat in 1996. The new share issue in Wolters Kluwer, well-known for its steady, double-digit profit growth, down sharply in Amsterdam to Fl 140.90, compared with Monday's close of Fl 150.50.

However, the company said, "For the years 1997 through 1999, Wolters Kluwer expects to achieve yet again an annual average growth in EPS of at least 15 per cent". Strong cash flow would allow it to pay back all bank loans by 2000, it added.

One of CCH's attractions is that 80 per cent of its US sales are generated by electronic distribution of information. Wolters Kluwer is striving to expand its markets for information distributed online or through CD-ROM.

"They will add value to us in the new frontier of electronic publishing," Mr Brakel said.

Canal Plus plans joint venture

By Andrew Jack in Paris

Canal Plus, the French subscription television station, has announced the creation of a cable and satellite programming company in conjunction with Générale des Eaux and Telecommunications International (TCI) of the US.

Canal Plus and Générale des Eaux, the media arm of Générale des Eaux, the utilities and construction group, will both contribute their combined equity interests in four existing French thematic television channels.

TCI, the Nasdaq-quoted telecom group, will pay FF492m (\$99.9m) over the next two years to help fund existing businesses and develop brands and formats for the new company's products in Europe and elsewhere in the world.

Under the agreement, each of the three companies will control one third of the newly-created company, Multithématiques, which will be based in Paris.

Canal Plus and Générale des Eaux between them control 70 per cent of Planete, a documentary channel, 85 per

cent of Canal Jimmy, a youth channel, and 60 per cent of Cine Cinéfil and Cine Cinemas, which offer feature films.

Canal Plus is also contributing its 50 per cent interest in Cine Classics of Spanish film classics to the venture.

Mr Michel Thoulouze, international executive vice president of Canal Plus, who will be the new chief executive, said: "There will be big turmoil in Europe. We want to be ready for the digit," in a reference to advances in digital broadcasting.

This announcement appears as a matter of record only.

July 1995



Rothmans International

£399,900,000 Term Loan Facility
Rothmans International Limited

NLG 1,248,000,000 Term Loan Facility
Rothmans Nederland Holdings BV

NLG 852,000,000 Term Loan Facility
Rothmans International BV

Underwritten and Funded by:

ABN AMRO Bank N.V.

Midland Bank plc

Union Bank of Switzerland

Dutch Facility Agent:

ABN AMRO Bank N.V.

U.K. Facility Agent:

Samuel Montagu & Co. Limited

ABN-AMRO Bank



Anglo American Corporation

THE CUTTING EDGE OF THE NEW SOUTH AFRICA

ABRIDGED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1995

- Total net earnings rise by 25% to R1952 million, reflecting improved earnings of international, industrial and coal interests
- Interim dividend up by 18% to 130 cents per share
- Net asset value now stands at R60 billion, or 25 612 cents per share
- Rate of earnings growth for the full year expected to be similar to that for the first six months

NOTICE OF DIVIDEND

Dividend No. 119 of 130 cents per share has been declared payable on Friday, 12 January 1996 to shareholders registered at the close of business on Friday, 15 December 1995. The register of members will be closed from Monday, 18 December 1995 to Saturday, 23 December 1995 inclusive. The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the Corporation and its transfer secretaries.

The full interim report will be posted to shareholders on or about 29 November 1995 and is available on request from the offices listed below.

Anglo American Corporation of South Africa Limited
(Incorporated in the Republic of South Africa) Registered No. 01-05304-06
Registered Office: 41 Main Street, Johannesburg, 2001.
London Office: 15 Chancery Lane, London EC1N 6QR.

مكتبة الامم المتحدة

INTERNATIONAL COMPANIES AND FINANCE

Bombay stocks slip as Reliance says it may delist

By Shiraz Sidwa in New Delhi

The Bombay stock market fell sharply yesterday after Reliance Industries (RIL), India's largest private sector company, said it might delist the shares of four of its companies from the exchange.

The move followed the exchange's suspension of trading in the shares for three days last week, after a dispute over delisting certificates.

The BSE index fell 63 points to 2,960 yesterday, with Reliance's scrip falling Rs10 to Rs209.

Reliance, which accounts for 14 per

cent of trading on the Bombay Stock Exchange, said it was "working on various options, including delisting". It was drafting a letter to the BSE, claiming that it had been "singled out for discriminatory action".

The company said it had issued 40,000 duplicate share certificates to genuine shareholders who claim to have lost the certificates, for a total value of Rs10m (\$236,000). The company, which has issued 400,000 such certificates in the past, said it had complied with the bourse's regulations of seeking an indemnity bond from the shareholders and advertising

the numbers of the lost certificates in newspapers.

Reliance alleges the BSE board "deliberately distorted facts to hold a trial by media" by confusing the duplicate shares issue with a lot of 1.8m Reliance shares that had been frozen by a special court investigating the Bombay stock scandal of 1992.

The company denied that Reliance had delivered some of these shares to the Unit Trust of India, India's largest mutual fund, which said on Monday that half the disputed shares were in its possession.

The company said it would ask the

Securities and Exchange Board, the stock-market watchdog, to conduct an investigation into the workings of the BSE board.

The BSE said Reliance had not yet told it that it would leave the BSE to trade on the smaller National Stock Exchange, and other bourses where it was listed. It refused to comment on Reliance's allegations.

The market was divided in its reaction to the news that Reliance might delist. Some brokers said the delisting of a company which accounts for 14 per cent of trade on the exchange may see the market fall by another 200

points in the next few days.

But one broker from a large securities company said Reliance's withdrawal might actually be "a good development for the market". He said Reliance stocks had "constantly pulled the market down, making it fall 25 per cent in the past few months."

SEBI officials are concerned about the developments, saying the uncertainty would make the markets fall even further. "We doubt the market will recover before elections (due in April next year), and now, a fight like this will only make things worse," an executive said.

Japanese trading companies ahead

By Emiko Terazono in Tokyo

Japan's leading trading companies recorded strong increases in consolidated interim earnings for the six months to September, because of record low interest rates and favourable overseas markets.

The companies also benefited from restructuring. They have been trying to reduce their head office operations while writing off non-performing assets. Sales, however, were affected by the high yen because of the companies' high reliance on exports.

Record low interest rates helped the companies cut problem assets and funding costs, and they have borrowed cheaply from foreign banks and on the capital markets.

Sumitomo sales fell as the higher yen hit its chemical and fuel businesses. Foods and textile operations improved after an increase in imports. Its machinery business was hit by the high yen and low domestic capital spending.

Itochu said sales at its machinery and chemical divisions were robust, while exports were affected by a slump in automobiles. Cost cutting and gains on investments supported profits.

Mitsubishi said earnings were helped by low interest rates and a fall in funds earmarked for loan-loss reserves. Export transactions for machinery and industrial plans declined, while imports of fuel, including liquefied natural gas, increased. Overseas trading rose 0.8 per cent to ¥1,677.5bn (\$15.9bn) on brisk chemicals and petrochemical transactions while domestic transactions fell 4.8 per cent to ¥186.5bn after a decline in metal sales.

Mitsui saw brisk sales in chemicals and steel products, while sales of machinery, food and non-ferrous metals declined. Exports fell 4.4 per cent to ¥871.7bn on sluggish car and machinery sales. Imports rose 0.4 per cent to ¥1,051.2bn, because of purchases of steel materials and chemicals.

Sumitomo sales fell as the higher yen hit its chemical and fuel businesses. Foods and textile operations improved after an increase in imports. Its machinery business was hit by the high yen and low domestic capital spending.

For the full year to March, the trading companies are likely to continue to benefit from low interest rates. In addition, the recovery of the Japanese economy is expected to help domestic earnings.

But while the leading trading houses have moved to reduce costs and raise profitability, the smaller companies are still suffering from bloated assets and non-performing costs dating from the "bubble" period of the late 1980s.

Mitsubishi said earnings were helped by low interest rates and a fall in funds earmarked for loan-loss reserves. Export transactions for

State Bank of India disappoints in half

By Shiraz Sidwa

Net profits of the State Bank of India, the country's largest domestic bank, fell 25.2 per cent to Rs2.3bn (\$58.87m) for the six months ended September 1995, causing its shares on the Bombay and Delhi stock exchanges to drop by about Rs20 to Rs168.

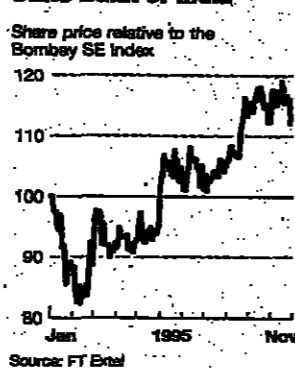
Mr P.G. Kakodkar, acting chairman of the bank, said the bank had written down current investments by Rs8,01bn which was responsible for the unprecedented fall in profits. There was no such write-down for the corresponding period last year.

He added that the bank had taken a sizeable investment write-down because of the increase in coupon rates. However, he said, the bank would be able to write up the value of the holdings again, creating additional profits if coupon rates fell.

The bank's interest income rose 18.75 per cent in the six months, to Rs59,71bn.

Domestic deposits registered an increase of Rs34,44bn to Rs837,46bn. SBI's market share in deposits improved from

State Bank of India



19.93 per cent to 20.31 per cent by September 1995.

Fee-based income grew by 40 per cent in the six-month period.

SBI's credit deposit ratio stood at 59.3 per cent in September 1995, against an average of 55.5 per cent in the Indian banking sector.

The bank said a new subsidiary, SBI Cap Securities, would soon be set up as a broking arm of SBI Capital Markets to participate in the equity and debt markets.

Anglo 25% ahead after six months

By Mark Ashurst in Johannesburg

Anglo American Corporation, the South African mining finance house with extensive industrial and commercial interests, posted a 25 per cent increase in net earnings from R1.56bn to R1.96bn (\$583m) for the six months to September 30. A similar rate of earnings growth is expected in the second half.

Attributable earnings rose 19 per cent, from R782m to R961m, and the interim dividend was lifted to 130 cents, up 18 per cent on the same period last year. Retained earnings, including those of associate companies, rose 32 per cent to R391m on the back of improved performance in the company's industrial and international holdings.

Mr Julian Ogilvie Thompson, chairman, said international investments managed by associate Minoro had been untrained by exchange controls. Anglo's net asset value had increased 7 per cent to R60bn over the period, after provision for the interim dividend.

South America was the primary focus of Minoro's exploration of new mines. Technical



Julian Ogilvie Thompson: closer links with Minoro are likely

divisions were "at full stretch" in Chile, Peru, Venezuela, Argentina and Brazil.

Closer links with Minoro, a "self-standing associate", were likely. This was already happening in Europe, where Minoro's collaboration with Mond, Anglo's pulp and paper subsidiary, was a likely model for future links with Anglo or

Amcoal, the coal mining division. "Anglo has skills that Minoro has not yet acquired. Amcoal, with its mining skills and strong balance sheet could also look at joint ventures," said Mr Ogilvie Thompson.

He refused to speculate on the likely date for abolition of exchange controls, but conceded a realignment of assets

was "possible" if this occurred. The gold mining sector, which was cutting operations in an attempt to improve productivity, remained "very troubled", although the lower dividend income from gold interests was offset by an 8 per cent rise in income to R897m, in the international, industrial and platinum sectors.

Anglo was committed to its concept of the "mining finance house", which recognised the need to pool skills and investment within the sector. Extensive prospecting had taken place in the West African region, which had become highly competitive.

Diamond sales in the US and Japan had held, despite transgressions of price agreements with de Beers, the diamond division, by Russian sellers. Despite a number of visits to Russia, De Beers did not intend to launch operations there.

Improved profits at Amcoal were the primary cause of the increased tax bill, which rose 140 per cent to R242m. Proceeds from the sale of non-strategic gold holdings fell to R48m, against R101m, reflecting provisions for the R160m loss incurred in liquidating Soda Ash Botswana.

Hindustan Lever to restructure

Hindustan Lever, the Indian group, and its subsidiary Stepan Chemicals (SCL) plan to restructure their chemicals and detergents businesses, AFX News reports from Bombay.

Hindustan Lever said that under the restructuring, SCL would acquire the bulk chemicals business, including the sulphuric acid, phosphoric acid, sodium tripolyphosphate, sulphonic acid and gypsum and fertilisers operations of Hindustan Lever.

Hindustan Lever would in turn acquire the detergents business of SCL. It would buy

the existing detergents business of SCL for Rs930m (\$26.3m) while SCL would take over the bulk chemicals and fertiliser business of Hindustan for Rs1.43bn.

The SCL board is to consider a rights issue and Hindustan will consider fully subscribing to any such issue.

The existing detergents business of Hindustan registered an estimated net profit of Rs38m in 1994, while its bulk chemicals and fertiliser business made an estimated Rs14m in the same period.

HLL said SCL's detergents business would benefit substantially through integration

with its detergents operations, with synergies in manufacturing technology, product development, marketing and distribution.

The bulk chemicals and fertilisers businesses under SCL would also secure a "distinctive focus for facilitating rapid growth through fresh investments in expansion, modernisation and technological upgrade." The altered business structure would also enable SCL to tap funds from capital markets and to access new products and technology through joint ventures.

YODOGAWA STEEL WORKS, LTD.

Notice of a Meeting
of the holders of the outstanding
U.S.\$300,000,000
1% per cent Notes due 1997
with warrants
to subscribe for shares of
common stock of Yodogawa Steel Works, Ltd.

Notice is hereby given that a Meeting of the holders of the above Notes (the "Noteholders") convened by Yodogawa Steel Works, Ltd. (the "Issuer") will be held at the offices of Linklaters & Paines, Barrington House, 39-47 Gresham Street, London EC2V 7JA on Thursday, 7th December, 1995 at 10.00 am (London time) for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 23rd December, 1993 (the "Trust Deed") made between the Issuer and Daiwa Bank Trust Company (the "Trustee").

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding U.S.\$300,000,000 1% per cent Notes due 1997 (the "Notes") with Warrants to subscribe for shares of common stock of Yodogawa Steel Works, Ltd. (the "Issuer") constituted by a Trust Deed dated 23rd December, 1993 (the "Trust Deed") made between the Issuer and Daiwa Bank Trust Company (the "Trustee") hereby resolves that:

- (i) the appointment of Yodogawa Steel Works, Ltd. (the "New Trustee") in place of the Existing Trustee by the Issuer pursuant to a Deed of Appointment and Reassignment of Trustee (the "Deed") to be dated on or about 23rd December, 1995, and entered into by the Issuer, the Existing Trustee and the New Trustee be approved;
- (ii) the Issuer be authorised to enter into the Deed; and
- (iii) every alteration, modification, variation, compromise or arrangement in respect of the rights of the Noteholders and the holders of the Coupons relating to the Notes against the Issuer involved in or resulting from the terms of paragraphs (i) and (ii) of this resolution be sanctioned.

The attention of Noteholders is particularly drawn to the question registered for the Meeting and for any adjourned Meeting which is set out in paragraph 4 of "Voting and Quorum" below.

AVAILABILITY OF DOCUMENTS

Copies of the Trust Deed, a draft Deed of Appointment and Reassignment of Trustee, the Paying and Warrant Agency Agreement dated 23rd December, 1993, a draft Supplemental Agency Agreement to amend the Paying and Warrant Agency Agreement and a draft legal opinion of Linklaters & Paines may be inspected at, and voting certificates may be obtained from, the specified office of any of the Paying Agents given below.

VOTING AND QUORUM

1. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either his Notes, or a valid voting certificate or certificate issued by a Paying Agent relating to the Notes in respect of which he wishes to vote.
2. A holder of Notes not wishing to attend and vote at the Meeting in person may either deliver his Notes (or voting certificate) to the person whom he wishes to attend on his behalf or give a voting instruction (in a written instrument from the specified office of any of the Paying Agents given below) appointing a Paying Agent to represent a proxy to attend and vote at the Meeting in accordance with his instructions.
3. Notes may be deposited with any Paying Agent or to the satisfaction of such Paying Agent be held in its order or under its control by Codel Bank, without any restriction on the Issuer or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates or giving voting instructions and ensuring such Paying Agent to appoint proxies, not later than 48 hours before the time appointed for holding the Meeting (or if applicable, any adjournment of such Meeting). Notes so deposited or held will not be returned until the expiry of the time for holding the Meeting (or if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) on, not less than 48 hours before the time fixed for the Meeting (or, if applicable, any such adjournment), the surrender of the receipt(s) issued in respect of the relevant Notes.
4. The quorum required at the Meeting is two or more persons present holding Notes or voting certificates or being proxies and being or representing in the aggregate the holders of over 50 per cent, as principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within half an hour from the time appointed for the Meeting a quorum is not present, the Meeting shall stand adjourned for such period, not being less than 21 days nor more than 42 days, and to such place as may be appointed by the Chairman of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present holding Notes or voting certificates or being proxies (whichever the principal amount of the Notes so held or represented).
5. Every question submitted to the Meeting will be decided by a show of hands unless a poll is duly demanded by the Chairman of the Meeting or the Issuer or by one or more persons holding one or more Notes or voting certificates or being a proxy or proxies and representing in the aggregate the holders of not less than 2 per cent, as principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or as a proxy shall have one vote. On a poll every person who is present in person and produces a Note or voting certificate or as a proxy shall have one vote in respect of each U.S.\$10,000 principal amount of Notes so produced or represented by the voting certificate so produced or as a proxy. In the case of equality of votes, the Chairman shall have a casting vote, in addition to the vote or votes (if any) to which he may be entitled as a Noteholder or as a holder of a voting certificate or as a proxy.
6. To be present, the Chairman requires a majority in favour consisting of not less than three quarters of the votes cast. If present, the Chairman shall declare the result of the vote and the result of the poll, and the result of the poll shall be the result of the vote. If present, the Chairman shall declare the result of the vote and the result of the poll, and the result of the poll shall be the result of the vote.

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INTERNATIONAL COMPANIES AND FINANCE

AOL, Bertelsmann in online venture

By Judy Dempsey in Hamburg

America On Line (AOL), the fastest growing online service in the US, and Bertelsmann, Germany's largest publishing and entertainment group, yesterday launched a joint online service in a bid to challenge CompuServe and Microsoft.

AOL/Bertelsmann will provide a wide range of services, comprising text, sound and pictures, and ranging from home banking, news, weather reports to entertainment and shopping. Subscribers will have access to the Internet but not have access to AOL/Bertelsmann except through subscribing.

Despite competitors which have already launched services, and despite the size of

the Internet - which has about 40m users worldwide - AOL/Bertelsmann is confident it will be able to attract 1m subscribers to its German service by the end of the decade, the minimum required to break even. Both companies have jointly invested DM300m (\$206m), but Mr Steve Case, chief executive of AOL, said "if it required more capital, we would provide it. This venture in Europe is a long-term investment."

The other shareholders will include Deutsche Telekom, Germany's state-owned telecommunications network, which last week announced it was taking a 30 per cent stake in AOL/Bertelsmann - subject to approval by the cartel office, the country's competition watchdog.

Deutsche Telekom, in a bid to internationalise its network and diversify pending the break-up of the telecommunications monopoly in Germany in 1998, will take a 5 per cent stake in AOL in the US. Bertelsmann already holds a 5 per cent stake in AOL's US operations.

AOL/Bertelsmann, launched initially in Germany, will start operations in the UK in the next few weeks and France early next year. In Germany, subscribers will be charged a monthly rate of DM9.50, including two free hours. Each additional minute will cost 10 pfennigs, or DM5 an hour, which analysts yesterday considered expensive. In the US, AOL costs \$9.95 a month and \$2.95 an hour.

But Mr Thomas Middelhof, a

Bertelsmann board member, insisted prices would not increase. Under the current telecommunications monopoly structure, German subscribers will have little choice but to sign on to AOL/Bertelsmann through Deutsche Telekom. However, AOL/Bertelsmann, which will lease its communications lines from Deutsche Telekom, will set up a marketing company to sell unused capacity.

"Our online services will be used a great deal during the night. So we will have spare capacity during slack parts of the day. We will sell this capacity through a network which will allow us to keep costs down for our on-line customers," said Mr Bernd Schipor, chief executive officer of AOL/Bertelsmann.

Chilean brewery prepares for war

CCU faces competition from Argentina and Brazil, says Imogen Mark



By the turn of the century, Compañía de Cervecerías Unidas (CCU), Chile's leading brewery and soft drinks company, aims to be whetting more whistles abroad than at home. The reason, says Mr Francisco Pérez McKenna, CCU general manager, is that "we face giant competitors from Brazil and Argentina, and we have no place to run to. We have to take the war to them if we want to survive."

The company has already had direct experience of Argentine competition in Chile. A joint venture headed by Argentina's biggest brewery, Quilmes, with Heineken, came across the Andes in late 1991. Within months it was steadily siphoning off market share in the key Santiago area with its Becker brand, aggressively marketed as "something else".

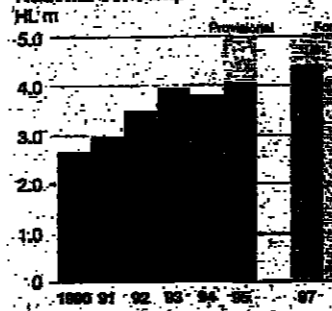
At the time, some analysts thought it was "the best thing that ever happened to CCU". The company re-focused its marketing and management strategies, a Barings research report said last year, and improved its operating and delivery system dramatically. It successfully defended Cristal, its brand leader. Last year Cristal accounted for 17 of the 28 litres of beer consumed per head in Chile.

CCU learned some useful lessons from the experience. Mr Pérez McKenna says, "We realised that we had to forget about our brands, and wine cycles, and wine competition, and focus on beer for popular consumption. Wine consumption is probably also due for a modest revival, from its current 23 litres a head, and is a reasonable prospect for new business, Mr Pérez McKenna says."

The company has kept a solid 87 per cent of the market. But volume growth as a whole was down last year, with sales at 3.33m hectolitres, a 9 per cent drop on 1993 results. Sales in the first nine months of 1995 have been volatile, but better overall than last year.

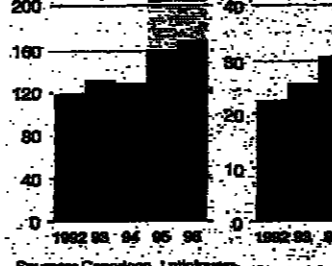
Chile's beer market

National consumption

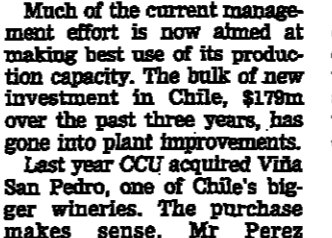


Compañía de Cervecerías Unidas

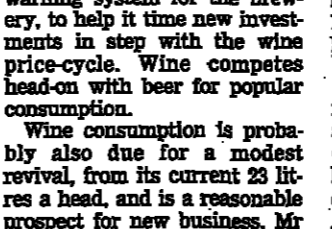
Net sales, pesos bn



Net earnings, pesos bn



Share price



Source: Compañía de Cervecerías Unidas

Data for 1995 is preliminary

Exchange rate: 1 US dollar = 800 pesos

with a 700,000 hectolitre capacity. Bassa is handling distribution for the Córdoba region.

Santa Fe and CIG together account for 8 per cent of the Argentine beer market, with total sales volume of 580,000 hectolitres for the first nine months. The new venture, now known as CCU Argentina, represents about 40 per cent of CCU Chile's total brewing capacity.

The challenge is to turn the tables on Quilmes, which is Argentina's undisputed number one brewery, with 80 per cent of the market. In the battle for the Chilean market CCU learned useful lessons from the Quilmes' campaign to break into a monopoly market with a new product. Quilmes will have learned from CCU about defending a brand leader.

CCU also faces three other competitors in Argentina - Brahma of Brazil, Balneario, of Germany and Beck's, an Argentine group - all of which are aiming to become the number two brewer.

The move into Argentina makes sense as part of an overall expansion strategy. But CCU's other foreign venture is more of a financial-cum-ventureship investment, with no more evident synergies. This is the Karlovacka Pivovara brewery in Croatia, which has an installed capacity of 100m litres and in which CCU acquired a controlling stake this year from its own biggest shareholder, the Lukic family.

The Lukic family, hailed from Croatia a generation earlier, and were invited by the Croatian government to bid for the brewery when it was privatised in 1994. A total investment of \$10m this year, including a capital increase, had already yielded net income of \$2.6m at the end of the third quarter.

The Lukic's partner in CCU is the Paulaner group of Germany, which holds 50 per cent of a holding company with the controlling shareholding. The two partners acquired the bankrupt company in 1988.

This is the second in a series of articles. The first appeared on November 24.

Theme parks help Disney to record term

By Richard Tomkins in New York

A strong performance from theme parks and consumer products helped Walt Disney, the US entertainment group, offset a lower contribution from films in its fourth quarter to September, the company reported yesterday.

Net income rose 17 per cent to a record \$34m and earnings per share rose 19 per cent to 50 cents, in line with the consensus figure predicted by Wall Street. Revenues were also well ahead, rising 16 per cent to \$3.12bn.

However, the gain at the bottom line was boosted by reduced losses from Disney's equity stake in the Euro Disney venture in France. Operating income from the group's core activities rose by less than 11 per cent to \$48m, and the shares tumbled 8 1/4 to 89 1/4 in early trading as two analysts lowered their ratings on the stock.

A year earlier Disney's film division was enjoying record results following the spectacular performance of *The Lion King*. In the latest quarter, the company had another success with *Pocahontas*, but it was

not on the same scale, and the divisions' operating income fell from \$188.6m to \$165.9m. The downturn in films was more than offset by a 35 per cent increase in operating income to \$209m in the theme parks division. An increase in visitor numbers boosted the results, but the comparison was flattened by the charge taken last year for abandoning the planned Civil War theme park in Virginia.

The consumer products division had a record quarter, because of world-wide growth in income from licensing and Disney character licensing and

the popularity of merchandise associated with *The Lion King* and *Pocahontas*. Operating income rose 17 per cent to \$111m.

In addition to these mainstream activities, Disney's investment in Euro Disney produced pre-tax losses of \$15.5m compared with losses of \$7.6m last time, reflecting the company's equity share of Euro Disney's operating results.

For the full year, net income rose by 24 per cent to \$1.38bn on revenues up 20 per cent at \$12.1bn. Earnings per share rose by 27 per cent to \$2.60.

Intel reveals single customer owes it \$470m

By Louise Kehoe in San Francisco

Intel, the world's leading semiconductor manufacturer, revealed in a filing with the Securities and Exchange Commission that it is owed about \$470m by a single personal computer manufacturer.

Industry executives identified the unnamed company as Packard Bell, a leading supplier of consumer PCs in the

US. Undercutting the prices of larger competitors, the privately held company based in Sacramento, California, has become the biggest supplier of low cost multimedia PCs in the US retail market. Packard Bell declined to comment.

Intel said that the debt represented about 14 per cent of its receivables, which total \$3.4bn. Part of the outstanding amount is overdue, and in an unprecedented move Intel said

that it had converted this amount into a loan "to accommodate the special needs of this customer".

The news prompted investor concerns that the consumer PC market, which has grown by about 50 per cent over the past 12 months, may be slowing. However, industry analysts said that the situation reflected specific problems at Packard Bell, rather than an industry trend.

Analysts said that Packard Bell may have overestimated demand for PCs based on 75-megahertz Intel Pentium microprocessors at a time when consumer preferences are turning to faster 100-megahertz Pentium machines which are more widely available from competitors such as Compaq and Hewlett-Packard.

Intel's shares rose 3 1/4 to \$24 in early trading yesterday reversing a \$3 loss on Monday.

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Bank of Montreal lifts annual earnings by one-fifth to C\$986m

By Bernard Simon in Toronto

Bank of Montreal lifted fiscal 1995 earnings by almost one-fifth, despite a stagnant fourth quarter.

The bank's Canada's third largest, posted earnings of C\$292m, or C\$3.38 a share, for the year to October 31, up from C\$235m, or C\$2.97, a year earlier. Return on equity climbed to 15.4 per cent from 14.9 per cent. Return on assets was little changed at 0.88 per cent. Assets totalled C\$151.8bn on October 31.

Fourth-quarter earnings were C\$289m, or 93 cents a share, compared with C\$288m, or 97 cents.

Loan writedowns charged to

income dropped to C\$275m for the year from C\$510m in 1994. The charges include a C\$125m addition to the bank's general loan-loss provisions. The non-performing loan portfolio shrank to C\$835m from C\$1.35bn.

The bank's share price dipped by 38 cents in early trading on the Toronto stock exchange to C\$30.38. However, most other Canadian bank stocks were also slightly lower.

Ms Teri McCoppin, analyst at Richardson Greenshields in Toronto, said that earnings were in line with expectations. She noted that the 1994 fourth quarter included 9 cents a share of non-recurring gains. Nonetheless, the bank's

fourth-quarter operating earnings, before taxes and loan loss provisions, were slightly lower than last year, due partly to a higher expense ratio.

Non-interest expenses climbed 13.1 per cent for the year and 14.4 per cent in the fourth quarter.

The increases stemmed mainly from two acquisitions: Burns Fry, a Canadian securities company, and Suburban Bancorp of Illinois.

Growth in fourth-quarter loan volumes was partially offset by narrower interest margins. Harris Bank, the Chicago-based subsidiary, expanded its loan portfolio by more than 21 per cent over the course of the year.

Mexican banks plan debt sale

By Leslie Crawford in Mexico City

Banamex and Bancomer, Mexico's two largest banks, are negotiating the sale of about \$3bn of non-performing loans to the government in exchange for a commitment to recapitalize the banks, banking officials said yesterday.

A spokesman for the National Banking and Securities Commission said he expected an agreement to be finalized next week. He said the Mexican government had

already cleared the plan with the US Treasury and International Monetary Fund, and that a new \$500m World Bank loan was being negotiated to help strengthen Mexico's commercial banking system, privatized only three years ago.

Three other banks, Mexicano, Confia and Banorte, were also understood to be negotiating the sale of their bad loans to the government.

The scheme will be similar to the one that rescued Serfin, Mexico's third largest bank, from technical insolvency ear-

lier this year. Serfin's shareholders injected \$50m into the bank in return for being allowed to off-load \$700m of problem loans on to the government. Four other banks have completed similar deals.

"We view this transaction as positive for the banks, particularly for Banamex," banking analysts at Salomon Bros. said in a report. However, they warned that the various schemes to help Mexico's troubled banking system may not be sufficient to fully resolve the banks' structural problems.

Weyerhaeuser in \$303m disposal

By Maggie Urry in New York

Weyerhaeuser, the US forest products group, has agreed to sell its Klamath Falls, Oregon, timberlands and wood products manufacturing business to Roseburg Forest Products for \$303m.

Weyerhaeuser said it could not yet quantify the gain on the sale. It first bought forest land in Klamath Falls in 1905 and began building the three manufacturing plants it is selling in the 1920s. The land is

carried in the books at its original purchase price.

Weyerhaeuser said that it remained committed to owning forests and to the wood products business, but that the Klamath Falls forests were of pine while its other forests in Oregon and Washington state were of Douglas fir, and the products made from the two types were markedly different. The pine forests were a better fit with Roseburg's business.

Weyerhaeuser is one of the largest forest products groups

in the world and owns 5.6m acres of forests, with licences over a further 17.8m acres. The Klamath Falls forests extend to 600,000 acres.

Roseburg is a private company based in Oregon, with timberlands and lumber, plywood and particleboard operations.

Weyerhaeuser's recent earnings have shown sharp increases from pulp and paper but a decline in the wood products division, affected by weakening housing activity.

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Signed: D J Stiles. Date: 17 November 1995.

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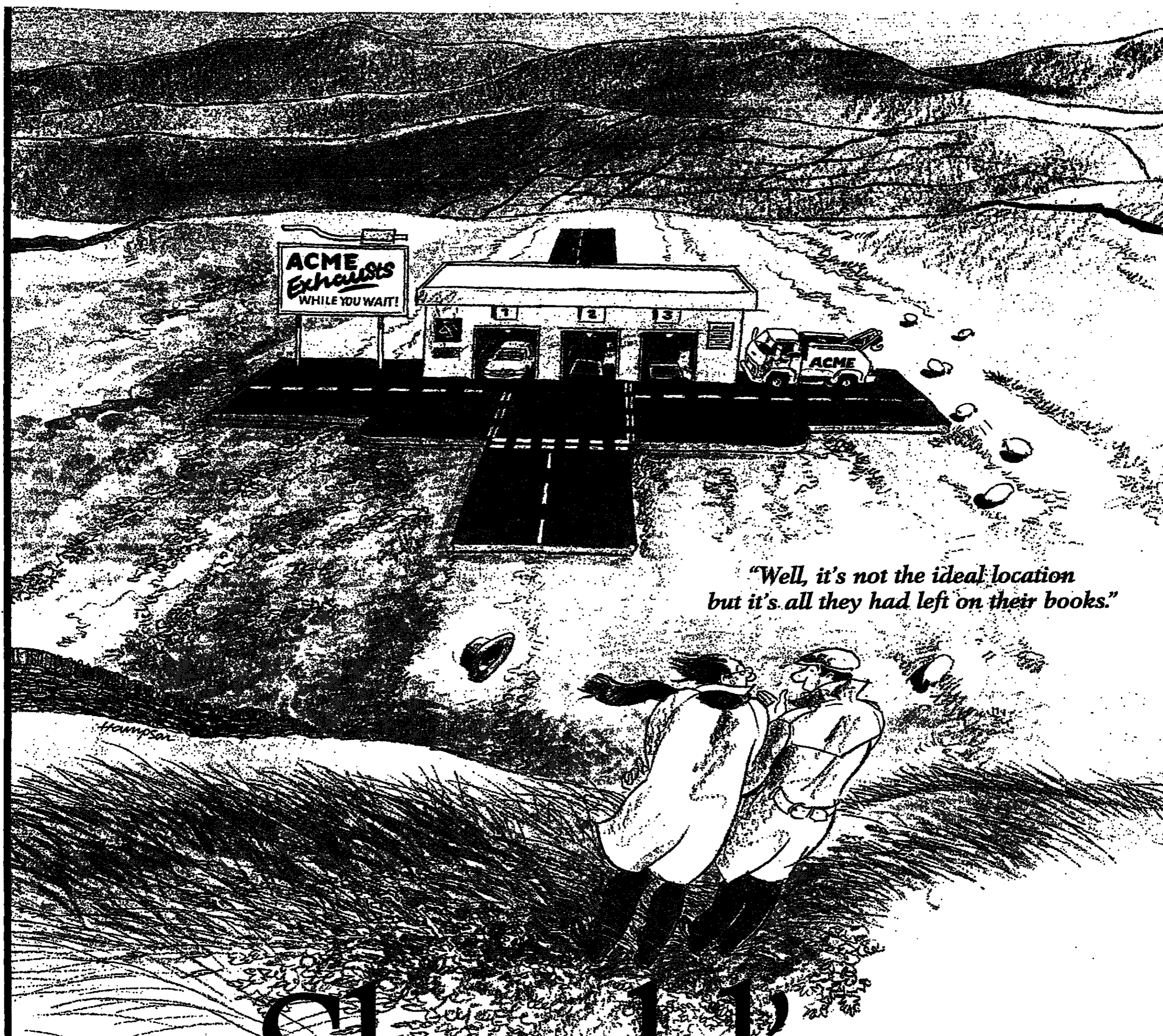
(ii) the aggregate principal amount of the Bonds outstanding was US\$2,570,000.

Bondholders are reminded that they may convert their Bonds at any time up to the close of business (at the place where the certificate representing the relevant Bond is deposited for conversion) on the date seven days prior to the Redemption Date, i.e. up to the close of business on 4th January, 1996.

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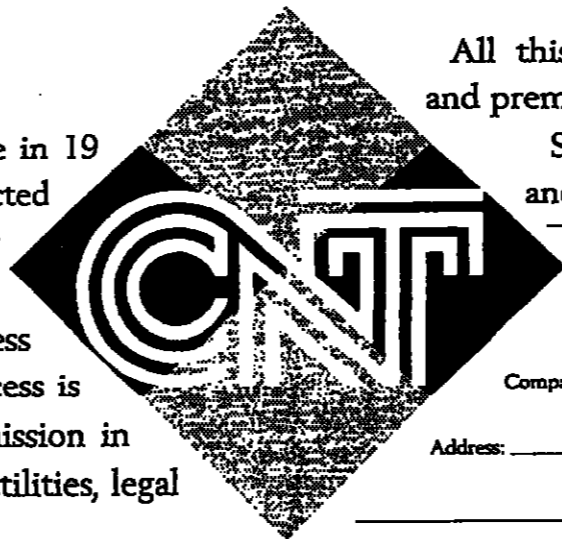
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COMPANY NEWS: UK

Severn Trent issues benefit-sharing warning

By Peggy Hollinger

Severn Trent yesterday morning sought to pre-empt Chancellor Kenneth Clarke's budget speech by warning it could withdraw its customer benefits programme if the government opted for a windfall tax on utilities.

Mr Richard Ireland, chairman, said "any adverse changes in the tax or regulatory arrangements could prevent the programme of benefit sharing". Severn Trent last year pledged to pay a £4 million rebate of £4 and a further annual £6.50 between 1996 and 2000. He refused to say whether the group would remain committed to its special 3.84p annual dividend for

shareholders should a windfall tax be imposed.

The comments came as the group announced better than expected interim profits of £188m. This compared with top of the range forecasts of £180m and last year's £108m, depressed by a £55m restructuring charge. Turnover for the six months to September 30 rose from £533.6m to £568.6m.

Profits were struck after £6.7m in costs related to this summer's drought.

Mr Vic Cocker, chief executive, announced a £130m package of drought measures aimed at reducing leakage and bringing on new sources of supply.

He said the group had performed well in the face of an "extremely challenging six months". The core water busi-

ness benefited from cost savings of £7.1m, largely from job losses. Industrial and commercial demand also increased, helping turnover rise 6.2 per cent to £488m. Operating profit before provisions rose 12.5 per cent to £206m.

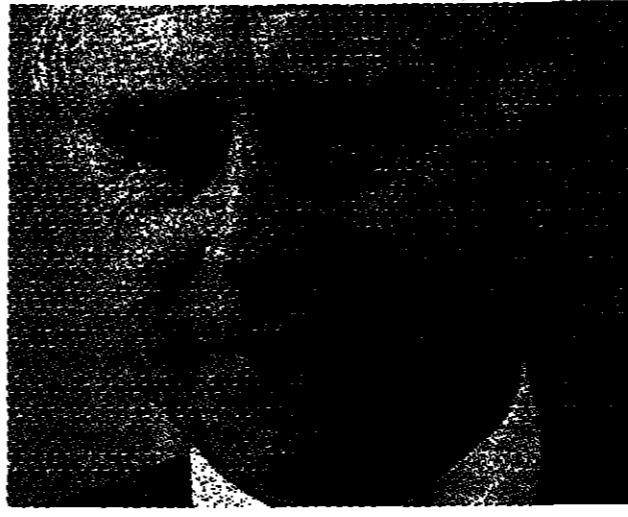
Biffa, the waste management subsidiary, also beat expectations with a 34 per cent rise in operating profit to £10.2m on sales 15 per cent higher at £36.1m.

Earnings per share rose from 27.7p to 45.3p. The interim dividend goes up 12 per cent to 9.2p (8.25p).

COMMENT

Even though the results were better than some might have hoped, the sparkle seems to be fading. The political risks

which threaten utilities from next year - the possibility of a Labour government committed to a windfall tax and to changes in regulation - are now hard to ignore. The only real fix for the shares will come from a change in the company's traditionally conservative stance on releasing some of its balance sheet strength to shareholders. Severn, however, is unlikely to respond to any investor pressure before the middle of next year, when its strategic review is complete. Forecasts are for full-year profits of about £200m. The expected dividend of 31.8p, including the special pay-out, puts the shares on a yield of 6 per cent. The possibility of a share buy-back makes Severn a hold.



Vic Cocker: £130m package of drought measures

Guarded outlook from Amstrad

By Paul Taylor

Shares in Amstrad, the restructured consumer electronics group, fell yesterday after Mr Alan Sugar, chairman, gave shareholders attending the group's annual meeting a relatively downbeat assessment of the outlook.

Amstrad's shares closed 16.5p down at 266.5p after Mr Sugar said overall results for the year would be significantly weighted to the second half, largely because of the delay in the start of digital cellular telephone handset production at Demell, the Danish subsidiary.

Last month Amstrad unveiled a £3.06m full-year pre-tax profit following three years

of losses, but warned about the impact of a four-month delay in the start-up of Dancell production.

Yesterday Mr Sugar confirmed the delay meant that first half performance at Dancell would be below expectations, but added that the outlook for the full year was "a significant positive contribution".

He said business for Amstrad Trading remained difficult, particularly in the German market and that, as expected, Amstrad Direct was unlikely to contribute to the full year results.

However, the Amstrad chairman said Viglen, the computer manufacturer, continued to perform well.

Crabtree makes \$33m ovens buy

By Chris Tighe

Crabtree Group, the metal decorating machinery manufacturer, is buying Oven Systems for up to \$33m (£21.4m), its first substantial purchase since floating in May 1993.

The Gateshead-based company also announced pre-tax profits up 19 per cent to £4.88m (£4.11m) for the year to September 30, on turnover up 14 per cent to £22.8m (£20.8m). A final dividend of 5.25p is recommended, making a total of 9p (8p) from earnings per share up 16 per cent to £1.6p (1.45p).

The deal is to be financed largely by a placing and open offer - underwritten by Hill

Samuel - of 5.41m shares at 352p to raise about £17.4m net, with the balance from bank borrowings. The offer opens for a 4-for-11 basis.

The shares rose 14p to 384p yesterday. OSI, based in Wisconsin, makes convection and radiation ovens, washers and dryers and is owned by 17 shareholders who work in the business. It reported operating profits of \$1.07m (\$1.65m) in the year to January 31 on turnover of \$27.9m (\$28.9m).

Crabtree's only previous post-flotation acquisition, for up to \$480,000, was of the industrial property rights of Wellman's Chai range of thermal ovens used in the three-piece can process.

Dalepak tipped to favour Cavaghan

By David Blackwell

Shareholders in Dalepak Foods are expected tomorrow to back the proposed reverse takeover by Cavaghan & Gray, a private manufacturer of chilled foods.

Shares in Dalepak, which supplies frozen meat and vegetable products to UK supermarket groups, were suspended earlier this month at 138p.

Following approval at tomorrow's extraordinary meeting, the shares will resume trading on Friday as Cavaghan & Gray. The enlarged group will be valued at up to \$71m.

Cavaghan, which is valued at three and a half times more than Dalepak, had been considering a flotation before it started talks with Dalepak.

already voted for the merger. They will receive 141 new Dalepak shares for each Cavaghan share. This puts a value on Cavaghan of £43.4m. Full acceptance will result in 41.2m new Dalepak shares being issued. Dalepak, which ran into problems integrating its Rose Young frozen meat acquisition, is also raising £13m through a placing and open offer of up to 14.3m shares at 105p.

Mr Howard Sims, chief executive of Cavaghan and the enlarged group, said the company would be able to make volume related savings. Cavaghan would also be transferring its expertise in chilled foods, which it develops and makes mainly for Marks and Spencer, to the frozen sector.

ED&F Man disappointed at share rating

By Antonia Sharpe

ED&F Man, the commodity trading and financial services group, yesterday said it was disappointed with the performance of its shares since flotation a year ago.

Mr Harvey McGrath, managing director, said he had always expected a "protracted education process" with investors but hinted the company might review its options, which could include delisting, if the shares failed to be re-rated over the next few years.

Trading profit was up 7 per cent to £117.4m in the six months to September 30, but operating expenses grew 13 per cent to £78m.

Pre-tax profits slipped from £34.1m to £32.8m, dragged down by a £1.8m exceptional charge for restructuring the coffee and cocoa businesses.

The interim dividend is maintained at 8.5p, payable from earnings down from 10.4p to 8.5p.

The shares, floated at 180p, fell 8p to 162p yesterday despite a general market rise as analysts trimmed forecasts in the light of Mr McGrath's expectation that "the company's overall performance would be at, or somewhat above, last year's level".

Some had hoped Man would beat last year's pre-tax profit of £78.3m by at least £5m.

remained the most profitable division, but slipped to £19.8m (£20.7m). Sugar turned in the strongest result, rising from £9.9m to £16m, despite further losses of about £3m by Mackay, its Australian refiner.

In financial services, pre-tax profit from futures broking was slightly down at £5m (£5.4m), reflecting lower volumes on futures exchanges.

However, asset management rebounded from £8.1m to £8.8m, thanks to a stronger performance by its more technical investment funds.

COMMENT

Man must convince the market it is more than a trader in the notoriously volatile commodities and futures markets. The company is justifiably proud of its success in profiting from the deregulation of the sugar market outside North America and Europe. But it still has to break down the market's perception that the sugar profits are really from "punting big positions", as one analyst puts it. Another problem is that the City will not invest time to understand how the company ticks. So, its shares trade on an undemanding pie of just under 8 pence may well have to make a strategic shift, such as moving further into fund management, to achieve the re-rating it wants. But for now, assuming a dividend rise to about 10p this year, its prospective yield at 8 pence is the only upside.

Pilkington sells two contact lens groups

By Tim Bart

Pilkington, the St Helens-based glass manufacturer, yesterday stepped up its non-core disposal programme by selling two contact lens subsidiaries for £77m (£50m).

The company said California-based Allergan had agreed to acquire the solutions business of Pilkington Barnes-Hind while Summit Partners, the US investment company, has agreed to buy Paragon Optical, its lens polymers business.

"These disposals are a further step in executing our policy of concentrating Pilkington resources on the core business of flat and safety glass and reducing the group's debt,"

said Mr Roger Leverton, chief executive.

Pilkington expects to make a £10m exceptional profit on the disposals but declined to itemise the sale price for each company.

The company said it was now seeking a buyer for the last remaining business in its Visioncare division - Pilkington Barnes-Hind, its contact lens manufacturer.

Pilkington began to unwind the division in 1993 - when it sold the Sola spectacles business for £318m - after deciding to offset the cyclical nature of glassmaking by expanding into new geographic markets rather than diversifying into new product areas.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends in arrears (p)	Total for year	Total last year
Amstrad	6 mths to July 30	39.5 (38.1)	3.36 (3.08)	21.01 (24.57)	5	Dec 15	5	17.52
Barco	6 mths to Sept 30	56.7 (55.5)	1.1 (1.81)	0.6 (1.02)	0.4	Jan 16	0.4	1
Concretum	6 mths to Sept 30	141.8 (128)	11.3 (10.2)	14.4 (12.73)	4.66	Jan 18	4.29	6.81
Crabtree	6 mths to Sept 30	22.8 (20.8)	4.88 (4.11)	21.5 (18.6)	5.25	Mar 14	5	8
Emergency	6 mths to Sept 30	116.2 (89.9)	18.2 (24)	49.67 (38.38)	29.5	Jan 23	26	42.5
Falcon	6 mths to Sept 30	3.52 (2.98)	0.382 (0.072)	13.9 (2.5)	2.25	Jan 19	2.5	4.5
Int'l Tool Supply	6 mths to Sept 30	181.1* (122)	0.419 (0.086)	0.3 (0.6)	-	-	-	-
Man (ED&F)	6 mths to Sept 30	-	32.64 (24.1)	8.5 (10.4)	3.2	Feb 9	3.2	9.6
Northland	6 mths to Sept 30	62.5 (57.1)	10.79 (8.88)	33.91 (31.3)	8.4	Jan 31	7.85	10.71
Northland Estates	6 mths to Sept 30	7.71 (6.06)	3.59 (4.5)	32.4 (71.6)	12	Mar 25	12	17
Norweco	6 mths to Sept 30	159.7 (194.2)	18.79 (8.98)	9.8 (3.3)	18	-	3.5	3.5
Severn Trent	6 mths to Sept 30	568.6 (533.6)	189 (108)	45.3 (27.7)	9.24	Apr 9	8.23	26.87
Westac Trust	6 mths to Sept 30	0.637 (0.503)	0.094 (0.088)	0.24 (0.22)	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *Amstrad stock. *US currency. *Comparatives restated. *After exceptional charge. *After exceptional credit. *10n increased capital. *Second interim of 3.84p also declared for payment in August. *Second interim.

Littlewoods bid forum

Family shareholders in Littlewoods, the retailing and football pools group, are considering their response to a potential £1.2bn takeover bid, writes Neil Buckley.

At a forum in an undisclosed London location, shareholders are discussing whether to open their books to a consortium, called Bidco, headed by Mr Barry Dale, the former Littlewoods chief executive ousted in March. They will vote on the issue at an extraordinary meeting on December 7.

Littlewoods' board has urged shareholders to vote against co-operating with Bidco. A majority is still thought to

share that view, though some wish to sell their stakes.

If shareholders vote against co-operation with Bidco, Littlewoods said that will give it time to complete a review of shareholders' options. It is also prepared to buy back shares worth up to £25m.

Shareholders yesterday heard a preliminary report from Mr Michael Gatenby, a former deputy chairman of Charterhouse merchant bank, on their options - including arguments for and against a sale, break-up and flotation. They will today consider a report from Coopers & Lybrand on the management structure.

NISSEHO CORPORATION

Notice of a Meeting of the holders of the outstanding U.S.\$130,000,000

3/4 per cent. Guaranteed Bonds Due 1997 with Warrants

to subscribe for shares of common stock of Nisseho Corporation

Notice is hereby given that a Meeting of the holders of the above Bonds (the "Bondholders") convened by Nisseho Corporation (the "Issuer") will be held at the offices of Linklaters & Paines, Barrington House, 99-101 Gresham Street, London EC2V 7JA on Thursday, 21st December, 1995 at 11:00 a.m. (London time) for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 14th October, 1993 (the "Trust Deed") made between the Issuer, The Sarwa Bank, Limited and Daiwa Bank Trust Company (the "Trustee"):

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding U.S.\$130,000,000 3/4 per cent. Guaranteed Bonds Due 1997 (the "Bonds") with Warrants to subscribe for shares of common stock of Nisseho Corporation (the "Issuer") convened by a Trust Deed dated 14th October, 1993 (the "Trust Deed") made between the Issuer, The Sarwa Bank, Limited and Daiwa Bank Trust Company (the "Trustee") HEREBY RESOLVES THAT:

(a) the appointment of The Industrial Bank of Japan Trust Company (the "New Trustee") in place of the Retiring Trustee by the Issuer pursuant to a Deed of Appointment and Retirement of Trustee (the "Deed") to be dated on or about 22nd December, 1995, and entered into by the Issuer, The Sarwa Bank, Limited, the Retiring Trustee and the New Trustee be approved;

(b) the Issuer be authorized to enter into the Deed and

(c) every alteration, modification, variation, compromise or arrangement in respect of the rights of the Bondholders and the holders of the Warrants relating to the Bonds against the Issuer involved in or resulting from the terms of paragraphs (a) and (b) of this resolution be sanctioned."

The attention of Bondholders is particularly drawn to the quorum required for the Meeting and for any adjourned Meeting which is set out in paragraph 4 of "Voting and Quorum" below.

AVAILABILITY OF DOCUMENTS

Copies of the Trust Deed, a draft Deed of Appointment and Retirement of Trustee, the Paying and Warrant Agency Agreement dated 14th October, 1993, a draft Supplemental Agency Agreement to amend the Paying and Warrant Agency Agreement and a draft legal opinion of Linklaters & Paines may be inspected at, and voting certificates may be obtained from, the specified office of any of the Paying Agents given below.

VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at the Meeting in person must produce at the Meeting either his Bond(s), or a valid voting certificate or certificates issued by a Paying Agent relating to the Bond(s) in respect of which he wishes to vote.

2. A holder of Bonds not wishing to attend and vote at the Meeting in person may either deliver his Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form to a voting instruction form obtainable from the specified office of any of the Paying Agents given below instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

3. Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) be held to its order or under its control by Cedit Bank, located anywhere or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates or giving voting instructions and requiring such Paying Agent to appoint proxies, not later than 48 hours before the time appointed for holding the Meeting (or if applicable, any adjournment of such Meeting). Bonds so deposited or held will not be released until the expiry of the conclusion of the meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the receipt(s) issued in respect of the relevant Bonds.

4. The quorum required at the Meeting is two or more persons present holding Bonds or voting certificates or being proxies and being or representing in the aggregate the holders of over 50 per cent, in principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed). If within half an hour from the time appointed for the Meeting a quorum is not present, the Meeting shall stand adjourned for such period, not being less than 21 days nor more than 42 days, and at such place as may be appointed by the Chairman of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present holding Bonds or voting certificates or being proxies (whether the principal amount of the Bonds so held or represented).

5. Every question submitted to the Meeting will be decided by a show of hands unless a poll is duly demanded by the Chairman of the Meeting or the Issuer or by one or more persons holding one or more Bonds or voting certificates or being a proxy or proxies and being or representing in the aggregate the holder or holders of not less than 2 per cent, in principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each U.S.\$100,000 principal amount of Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy. In the case of equality of votes, the Chairman shall both on a show of hands and on a poll have a casting vote, in addition to the vote or votes (if any) to which he may be entitled as a Bondholder or as a holder of a voting certificate or as a proxy.

6. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Bondholders, whether or not present at such Meeting, and upon all the holders of the Warrants relating to the Bonds.

Trustee

Daiwa Bank Trust Company,

75 Rockefeller Plaza,

New York, N.Y. 10019.

Paying Agents

The Daiwa Bank, Limited,

5th Floor, 4 Broadgate,

London EC2M 2QS.

Deutsche Bank Aktiengesellschaft,

Truenastraße 12,

60525 Frankfurt am Main.

Morgan Guaranty Trust Company of New York,

35 Avenue des Arts,

8-1040 Brussels.

The Industrial Bank of Japan (Limited) S.A.,

6, rue Jean Monnet,

L-2180 Luxembourg.

Banque Générale du Luxembourg S.A.,

14 rue d'Alger,

L-2931 Luxembourg.

Nisseho Corporation

TSURUMI MANUFACTURING CO., LTD.

Notice of a Meeting of the holders of the outstanding U.S.\$50,000,000

1 5/8 per cent. Guaranteed Bonds Due 1996

with warrants to subscribe for shares of common stock of Tsurumi Manufacturing Co., Ltd.

Notice is hereby given that a Meeting of the holders of the above Bonds (the "Bondholders") convened by Tsurumi Manufacturing Co., Ltd. (the "Issuer") will be held at the offices of Linklaters & Paines, Barrington House, 99-101 Gresham Street, London EC2V 7JA on Thursday, 21st December, 1995 at 11:30 a.m. (London time) for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 19th November, 1992 (the "Trust Deed") made between the Issuer, The Sumitomo Bank, Limited and Daiwa Bank Trust Company (the "Trustee"):

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding U.S.\$50,000,000 1 5/8 per cent. Guaranteed Bonds Due 1996 (the "Bonds") with warrants to subscribe for shares of common stock of Tsurumi Manufacturing Co., Ltd. (the "Issuer") convened by a Trust Deed dated 19th November, 1992 (the "Trust Deed") made between the Issuer, The Sumitomo Bank, Limited and Daiwa Bank Trust Company (the "Trustee") HEREBY RESOLVES THAT:

(a) the appointment of Daiwa Bank Trust Company (U.S.A.) (the "New Trustee") in place of the Retiring Trustee by the Issuer pursuant to a Deed of Appointment and Retirement of Trustee (the "Deed") to be dated on or about 22nd December, 1995, and entered into by the Issuer, The Sumitomo Bank, Limited, the Retiring Trustee and the New Trustee be approved;

(b) the Issuer be authorized to enter into the Deed and

(c) every alteration, modification, variation, compromise or arrangement in respect of the rights of the Bondholders and the holders of the Warrants relating to the Bonds against the Issuer involved in or resulting from the terms of paragraphs (a) and (b) of this resolution be sanctioned."

The attention of Bondholders is particularly drawn to the quorum required for the Meeting and for any adjourned Meeting which is set out in paragraph 4 of "Voting and Quorum" below.

AVAILABILITY OF DOCUMENTS

Copies of the Trust Deed, a draft Deed of Appointment and Retirement of Trustee, the Paying and Warrant Agency Agreement dated 19th November, 1992, a draft Supplemental Agency Agreement to amend the Paying and Warrant Agency Agreement and a draft legal opinion of Linklaters & Paines may be inspected at, and voting certificates may be obtained from, the specified office of any of the Paying Agents given below.

VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at the Meeting in person must produce at the Meeting either his Bond(s), or a valid voting certificate or certificates issued by a Paying Agent relating to the Bond(s) in respect of which he wishes to vote.

2. A holder of Bonds not wishing to attend and vote at the Meeting in person may either deliver his Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form to a voting instruction form obtainable from the specified office of any of the Paying Agents given below instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

3. Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) be held to its order or under its control by Cedit Bank, located anywhere or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates or giving voting instructions and requiring such Paying Agent to appoint proxies, not later than 48 hours before the time appointed for holding the Meeting (or if applicable, any adjournment of such Meeting). Bonds so deposited or held will not be released until the expiry of the conclusion of the meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the receipt(s) issued in respect of the relevant Bonds.

4. The quorum required at the Meeting is two or more persons present holding Bonds or voting certificates or being proxies and being or representing in the aggregate the holders of over 50 per cent, in principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed). If within half an hour from the time appointed for the Meeting a quorum is not present, the Meeting shall stand adjourned for such period, not being less than 21 days nor more than 42 days, and at such place as may be appointed by the Chairman of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present holding Bonds or voting certificates or being proxies (whether the principal amount of the Bonds so held or represented).

5. Every question submitted to the Meeting will be decided by a show of hands unless a poll is duly demanded by the Chairman of the Meeting or the Issuer or by one or more persons holding one or more Bonds or voting certificates or being a proxy or proxies and being or representing in the aggregate the holder or holders of not less than 2 per cent, in principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each U.S.\$5,000 principal amount of Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy. In the case of equality of votes, the Chairman shall both on a show of hands and on a poll have a casting vote, in addition to the vote or votes (if any) to which he may be entitled as a Bondholder or as a holder of a voting certificate or as a proxy.

6. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Bondholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the Warrants relating to the Bonds.

Trustee

Daiwa Bank Trust Company,

75 Rockefeller Plaza,

New York, N.Y. 10019.

Paying Agents

The Daiwa Bank, Limited,

P.O. Box 34,

Chiyoda-ku, Tokyo,

55 Boushigai Street,

London EC2V 5DL.

COMPANY NEWS: UK

Euromoney falls by 24% to £18.2m

By Christopher Price

Euromoney Publications, the publishing, training and exhibitions group, yesterday reported a 24 per cent decline in annual pre-tax profits from £24m to £18.2m, confirming the difficult trading conditions signalled by a profit warning six weeks ago.

The group, in which Daily Mail & General Trust holds a 70 per cent stake, increased turnover by 25 per cent for the 12 months to September 30, from £89.5m to £116.2m.

Operating profits fell 28 per cent to £15.3m (£24m), which included losses of £639,000 (profits of £2.85m) for the seminars, conferences and exhibitions business.

Mr Richard Ensor, managing director, said difficulties at the AIC seminar business, based in Australia, had been the main cause of the division's decline. He said the subsidiary had expanded too rapidly into markets made more competitive by tougher trading conditions in financial markets worldwide.

AIC's Amsterdam office had been closed as part of a reorganisation which had reduced the number of staff from 380 to 310 and was the principal part of a £1.6m provision against operating profits.

Mr Ensor said that rationalisation was continuing, but AIC would not be profitable until early next year.

Three out of the group's five publishing divisions also suffered a decline in

profits as a result of difficulties in the financial markets, including adverse comment on derivatives after the Barings crash and the sharp decline of the Mexican peso.

Financial publishing, the group's biggest division and which includes Euromoney magazine, saw profits fall 7 per cent to £10.1m.

Business publishing profits halved to £617,000, while energy publishing also suffered a reverse. Law and tax publishing increased profits 15 per cent to £2.7m (£1.9m). Transport and leasing publishing improved slightly to £1.05m.

Mr Ensor said the nature of the group's markets made forecasting the coming 12 months difficult, but the core

businesses in the financial markets were showing signs of improvement.

Earnings per share fell to 49.87p, against 68.38p, while an unchanged final dividend of 29.5p, makes a 43.5p (42.5p) total.

Analysts left their profit forecasts, which were revised downwards at the time of the profits warning last month, largely unchanged, pencilling in between £24m and £26m for the current year. This would give earnings per share of about 59p and put the shares on a prospective price of 13.5 times, which is on a market rating.

The shares, which are tightly traded owing to the Daily Mail holding, rose 3p to 535p. They reached a high of £19.75 in May last year.

Off-trade boost for Morland

By David Blackwell

Continuing strong growth in sales of Old Speckled Hen to the off-trade helped Morland, the Thames Valley-based brewer, increase full-year profits by more than 10 per cent.

Pre-tax profits increased from £9.68m to £10.7m, taking in losses on property disposals of £232,000 and £326,000 respectively. Sales increased from £37m to £62.6m in the year to September 30.

Sales of barrels of Old Speckled Hen rose 4.8 per cent. Second-half sales to the on-trade were hit by the summer weather, which encouraged drinkers to switch to lagers. However, sales to the off-trade were up 200 per cent.

Total beer volumes rose by 3 per cent, well ahead of the UK market. Retail beer volumes were 7 per cent higher.

Mr Michael Watts, chief executive, said the rapid rate of growth for Old Speckled Hen had been driven by distribution gains, and would start to slow down now the beer was available nationally.

In August the group agreed a £15.8m deal for Unicorn Inns and bought a chain of 10 pubs on the south coast from the Chapman Group for £9.4m. Although they contributed just £70,000 to profits last year, they had taken it into new markets.

The purchases took the number of managed pubs to 97, while the cash generative tenanted estate remained at 275 pubs.

Earnings per share rose from 31.3p to 33.5p. A proposed final dividend of 8.4p takes the total to 11.7p (10.71p).

Mr Jasper Clatterbuck, who has been on Morland's board for 18 years, is retiring as chairman. He will be succeeded by Mr Martin Mays-Smith, who has spent six years as a non-executive director.

Norcross confirms retreat to core

By Patrick Harverson

Norcross expects to sell its printing and packaging division before the end of its financial year next March.

Announcing an increase in pre-tax profits from £5m to £18.7m for the six months to September 30, the group said it would sell the printing and packaging unit or float it.

The deal would leave Norcross, which in the past year has withdrawn completely from the building materials market, with just two core businesses - ceramic tiles and bathroom showers. It will also mark the end of a long period of poor performance which saw a fast-growing industrial conglomerate of the 1980s shrink dramatically as it failed to sustain growth and profitability.

Analysts believe Norcross would receive between £100m and £125m from a trade sale of printing and packaging. Some of the proceeds are expected to be used to pay off £48m of debt and invest in the group, with the rest distributed to shareholders either as a special



Michael Doherty: rise at ceramics reflected cost cutting

dividend or share buy-back.

The figures were boosted by a £12m profit from the sale of the building materials business. Excluding the disposal gains, profits from continuing operations were unchanged at £10.9m.

Profits rose despite a fall in turnover to £159.9m (£194.2m) because of restructuring.

The ceramics division saw profits rise to £5.2m (£4.9m)

assets. No interim dividend is declared.

COMMENT

The sorry tale that is the dismantling of Norcross is almost complete. The printing and packaging business will be sold sometime within the next five months, and once part of the proceeds of the disposal have been handed out to them shareholders will be left with a small but profitable ceramics and showers operation. The long-term growth prospects do not look great, but the group will be a leader in its field. The management would have deserved credit for extricating the group from its predicament if it had not been responsible for putting it there in the first place. Analysts are looking for a "clean" (ie, pre-exceptional) and including the final contribution from printing and packaging) £15m for the full year, against £10.7m operating profits last year. Given a special distribution from upcoming disposal is due before year-end, the shares hold worth holding for the duration.

Siemens stake in Mercury cleared

The Office of Fair Trading has approved the purchase by Siemens of Germany of a 75 per cent stake in the customer equipment division of Mercury Communications, the UK's second largest telecoms operator, for about £80m, writes Alan Cane.

It deal will result in the formation of a new company, Siemens Business Communications Systems with headquarters in Milton Keynes and a staff of about 950.

Mr Jürgen Gehrels, chief executive of Siemens UK, said the investment would secure the future of the new company as a leader in the UK market. The new company will be complementary to GPT, the joint venture between Siemens and GEC of the UK.

Pearson and VTR venture

Portman Entertainment, a subsidiary of VTR, has entered into a joint initiative with Pearson Television.

The two companies have negotiated a joint development and co-production agreement which will provide Portman with enhanced development and production funding and establish the basis of a long-term relationship between the two groups.

Mr Victor Glynn is to be replaced as chief executive of Portman by Mr John Hall, managing director. Mr Tim Buxton, former chief operating officer of MTM, becomes managing director of Portman Productions and Global Television. Mr Glynn becomes chief executive of Grandy Worldwide in January.

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AMERICAN STOCK EXCHANGE COMPOSITE TRANSACTIONS



"Play is universal. So we're turning America's best known toys and games into global brands. From Mr. Potato Head® and Tonka® to Monopoly® and Nerf®," says Alan Hassenfeld, Chairman/CEO of Hasbro Inc., listed on the AMEX since 1971. "No matter how well known you are, even if you're held by more than 200 institutions as we are, you have to keep your name in front of investors. AMEX gives us service and visibility you simply can't get anywhere else. My friend here agrees."

ALAN HASSENFELD IS BIG ON THE AMEX.

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GENTRA INC. (formerly ROYAL TRUSTCO LIMITED) NOTICE OF VOLUNTARY REDEMPTION ON DECEMBER 31, 1995 TO HOLDERS OF					
\$125,000,000 Floating Rate Subordinated Debentures Due 1998					
Fixed/Floating Rate Subordinated Debentures Due 1998					
11.30% Subordinated Debentures Due 1998					
11.80% Subordinated Debentures Due 1998					
Reverse Dual - Currency Subordinated Debentures Due 1998					
US\$108,000,000 Floating Rate Subordinated Debentures Due 1996					
US\$90,000,000 Floating Rate Subordinated Debentures Due 1998					
US\$150,000,000 Floating Rate Subordinated Debentures Due 1998					
US\$185,000,000 Subordinated Loan Due 1998					
(each a "Series" and collectively the "Subordinated Debt")					
Pursuant to the provisions of each Series of Subordinated Debt, as amended by the Plan of Arrangement of Gentra Inc. ("the Company") effective September 1, 1993 (the "Plan of Arrangement"), the Company may, at its option, redeem the Subordinated Debt, in whole or in part, on any of March 31, June 30, September 30 and December 31 in each year. The aggregate principal amount of Subordinated Debt to be redeemed shall be provided among each Series. This redemption is voluntary on the part of the holders.					
NOTICE IS HEREBY GIVEN that, pursuant to the provisions of each Series of Subordinated Debt, as amended by the Plan of Arrangement, the Company will redeem in full the remaining Subordinated Debt outstanding on December 31, 1995 (the "Voluntary Redemption Date"). The redemption price in respect of each Debenture or Loan, as the case may be, shall be equal to the principal amount thereof to be redeemed, together with accrued and unpaid interest on the principal amount to be redeemed to but excluding the Voluntary Redemption Date, expressed in the relevant currency of the Series.					
The following table provides the details of the voluntary redemption of each Series of Subordinated Debt:					
Series	Original Principal Amount	Face Amount Prior to this Redemption	Aggregate Principal Amount of each Series to be Redeemed December 31, 1995	Redemption Price in respect of each Series	Global/Registered
CS1.75 Million Floating Rate Debentures	Can\$1,000	Can\$104	Can\$1,320,280	Can\$104.00 (in respect of principal) plus Can\$0.87 (in respect of interest) in respect of each Can\$104 Debenture	Registered
Fixed/Floating Rate Debentures	Can\$1,000	Can\$104	Can\$3,978,413	Can\$104.00 (in respect of principal) plus Can\$0.69 (in respect of interest) in respect of each Can\$104 Debenture	Registered
11.80% Debentures	Can\$1,000	Can\$104	Can\$4,947,488	Can\$104.00 (in respect of principal) plus Can\$0.48 (in respect of interest) in respect of each Can\$104 Debenture	Registered
11.80% Debentures	Can\$1,000	Can\$104	Can\$2,766,191	Can\$104.00 (in respect of principal) plus Can\$0.88 (in respect of interest) in respect of each Can\$104 Debenture	Registered
Reverse Dual - Currency Debentures	Yen1,000	Yen104	Yen520,000,000	Yen104.00 (in respect of principal) plus All-in-one (in respect of interest) in respect of each Yen104 Debenture	Global
US\$108 Million Floating Rate Debentures	US\$1,000	US\$104	US\$11,024,000	US\$104.00 (in respect of principal) plus US\$2.91 (in respect of interest) in respect of each US\$104 Debenture	Global
US\$90 Million Floating Rate Debentures	US\$1,000	US\$104	US\$8,320,000	US\$104.00 (in respect of principal) plus US\$1.79 (in respect of interest) in respect of each US\$104 Debenture	Global
US\$150 Million Floating Rate Debentures	US\$1,000	US\$104	US\$5,724,160	US\$104.00 (in respect of principal) plus US\$1.86 (in respect of interest) in respect of each US\$104 Debenture	Global
US\$185 Million Loan	US\$1,000	US\$104	US\$19,240,000	US\$104.00 (in respect of principal) plus accrued interest in respect of each US\$104 loan amount	N/A
Payment on redemption of the debentures listed as held in Registered Form will be made against presentation of the definitive certificates representing such debentures at any of the principal offices of The R.M. Trust Company in Toronto, Montreal, Vancouver and Calgary. Pursuant to the Plan of Arrangement, holders of the debentures listed as held in Global Form were required to exchange their definitive certificates representing such Subordinated Debt for an interest in a global debenture representing the relevant Series, such interest to be held through an account with Euroclear or Cede. The Company will make payment of the aggregate redemption amount in respect of each such series to the holder of the global debenture for that Series and the holders of interests therein will look to Euroclear or Cede for their share of the relevant payment.					
Payment on redemption of the subordinated loan will be made in accordance with the terms provided in the Loan Agreement. Interest will cease to accrue from and after the Voluntary Redemption Date.					
November 29, 1995					
GENTRA INC. Toronto, Canada					

COMMODITIES AND AGRICULTURE

Albania aims to accelerate oil and gas exploration

By Kevin Done, East Europe Correspondent

Albania, which is seeking to accelerate the pace of oil and gas exploration, yesterday opened a second international offshore licensing round.

The country began to attract foreign oil companies back four years ago in the wake of the collapse of the former repressive, communist regime, which had isolated Albania from the rest of Europe for nearly 50 years.

In the latest licensing round, launched at a seminar in London yesterday attended by around 30 international oil companies, it is offering eight new blocks offshore covering a total of 22,400 square kilometres.

In addition it is offering concessions for two onshore blocks not awarded in the first licensing round and one offshore block in the Adriatic Sea previously relinquished by Agip of Italy.

All the concessions on offer are production sharing agreements, and bids must be submitted by mid-1996.

Mr Fatbardh Adem, executive director of the Albanian National Petroleum Agency,

said yesterday that more than \$100m had been invested by international oil companies in Albania in the past four years.

A further \$50m would be invested in 1996. Three offshore exploration wells are due to be drilled next year in the Albanian sector of the Adriatic on blocks held by Agip. Occidental of the US and a block held jointly by OMV of Austria and Occidental.

International drilling activity onshore under first round contracts will start next year, said Mr Adem, with the first well to be drilled by INA of Croatia.

Shell, the Anglo-Dutch oil group, and Coflexco of France, are expected to drill their first wells onshore in 1997.

Four wells have been drilled offshore since the Albanian oil sector was opened to foreign companies. All had found shows of oil and gas, said Mr Adem, but there had not yet been any commercial finds.

The latest well, drilled this month by BHP of Australia in the Ionian Sea, was being abandoned, said Mr Adem, having failed to find commercial quantities of oil or gas.

There was still strong inter-

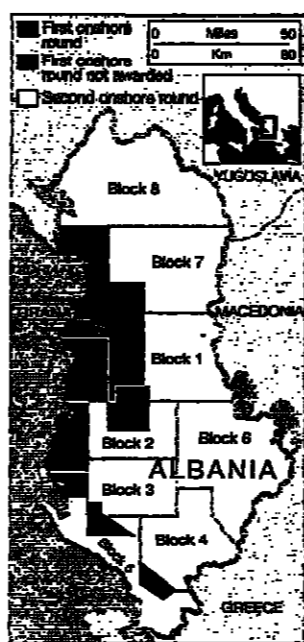
est in the block, however, he said. Clyde Oil, the small UK company, is acquiring a 10 per cent interest from Svenska Petroleum in the concession, which also includes Premier Oil of the UK alongside BHP.

New finds will be crucial to Albania's efforts to increase oil production. Output has fallen to between 500,000 and 600,000 tonnes a year from a peak of close to 2.5m tonnes in the early 1980s.

The industry has suffered from neglect and lack of investment for decades and faces severe onshore pollution problems. During the communist era it had to rely on 1950s technology from Russia and 1970s technology from China, said Mr Abdul Khajaj, minister of mineral resources and energy, and the newest drilling rig was 35-years-old.

Foreign oil companies are optimistic that the introduction of modern exploration and production technologies can transform the prospects of the sector, however.

Premier Oil has formed a joint venture, Anglo Albanian Petroleum, with Albpetrol, the state-owned oil company, for an enhanced oil recovery scheme at the country's largest



onshore field, Patos Marinze, close to the southern town of Fier.

Two other enhanced oil production schemes for existing fields were currently under negotiation, said Mr Adem, with Fountain Oil of Norway and the Kitar group of companies from Australia.

Oil exploration began in Albania in 1918 with the first discovery and production in 1929. Current proven reserves amount to around 440m tonnes.

Philippines mining set for \$3bn boos

By Kenneth Gooding, Mining Correspondent in Manila

International Mining companies looking to the Philippines are ready to spend at least \$300m to revive its fading copper and gold production, says Mr Conrad Leviste, governor of the country's Board of Investments.

And Mr Victor Ramos, secretary of state for the environment and natural resources, says he has no doubt that the mining industry's export earnings will pass the peak of \$1.2m recorded in 1980.

Probably the first new world class copper-gold project to be put into production will be at Dipidlo in the Luzon region where Climax Mining, an Australian company, has a resource containing 4m tonnes of gold and 1.1m lb of copper in the mouth of an extinct volcano.

Mr Bryce Roxburgh, president of Climax-Arimco, the group's subsidiary in the Philippines, suggests that mining, both underground and open pit, could start as early as 1997

and Dipidlo would produce between 350,000 and 400,000 ounces of gold a year and 87m lb of copper.

Climax has hired Rothchild Australia to find a partner to fund the \$200m needed to bring the mine into production. There is no shortage of potential partners, says Mr Roxburgh and at least eight are queuing up for consideration.

Climax has been operating in the Philippines since 1987 and now there is a rush by other mining companies following a new Mining Act and changes to the tax regime in March this year. The biggest change is that foreign companies are now permitted to own 100 per cent of a mining venture under a so-called FTAA (Financial or Technical Assistance Agreement).

Twelve foreign mining companies have made a total of 67 FTAA applications and two - which were in the pipeline for years before the new act was passed - have been granted: one to Climax-Arimco and the other to another Australian

group, Western Mining.

Mr Leviste pointed out that every successful FTAA applicant would have to spend at least \$5m in the first four or five years and be expected to invest 10 per cent of them would ultimately result in mines being developed at a cost of between \$250m and \$500m each.

At least 40 per cent of this would be spent in the Philippines itself. The activities of the mining companies would also provide a better infrastructure for some of the country's remotest areas.

Environment secretary Ramos says: "I have never seen so many mining company chief executives as I have in the past four months." He says the impact on the Philippines is already being felt because the rise of more than 6 per cent in the country's economic growth in the third quarter of this year was mainly due to a 20 per cent increase in investment buying the mining and quarrying industries.

Among the companies that have applied for FTAA's are

Newmont of the US, Resources and TVI of Canada and from Australia, Placer Dome, Golden Star and Newcrest. There is a still another potentially world deposit, the Kinging, in the Mandanao region, that has an estimated 3.5m oz of mineable gold and 23t of copper. Mr Peter St. John, president of mi operations, says the new Kinging and the other "can do nothing but encourage mining in this country. It is good infrastructure, so I easy to get around, there mining tradition, so there good level of local skills the geology is right for a and copper exploration."

Mr Leviste from the Board Investments recently returned from visits to Australia, Canada where, he says, he no problem putting over message about investing mining in the Philippines "Miners there kept telling that the Philippines is the mineralised country in the world."

MARKET REPORT

Copper leads LME base metals lower

A weakening COPPER market led other London Metal Exchange base metals contracts lower by yesterday's close. But traders said that copper found robust support from a continuing nearby "tightness."

"The copper market's drift has helped to pressure the others, though with the backwardation [cash premium] firmly in place, I would not expect any heavy losses," one commented.

By the close, the cash to three months backwardation was indicated at \$245 to \$255, little changed from late on

The price closed the afternoon "kerf" session at \$2,731 a tonne, down \$15.

NICKEL had a noteworthy fall by the kerf close had shed \$170 on the day to settle at \$8,430 a tonne for three months delivery. Traders said deteriorating charts had dented sentiment, as had a smaller-than-expected fall in LME stocks and talk that some Russian nickel had recently entered LME warehouses.

ALUMINIUM matched the gyrations of the copper market but came under technical pressure following the three months price's overnight

breach of the \$1,700-a-tonne level.

LEAD remained underpinned by strong physical demand, which was underlined in another hefty LME stocks fall. Traders thought the three months delivery position would now move back towards Monday's five-year high of \$740 a tonne and possibly higher.

At the London Commodity Exchange COCOA futures prices ended slightly lower with nerves steadied in afternoon dealings by a firmer than expected New York market.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Associated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Close	High	Low	Settle
Previous	1652.4	1650.1	1650.1	1652.4
High/Low	1651	1655/1651	1651-2	1651-2
AM Official	1651-2	1651-2	1651-2	1651-2
Kerb close	1651-2	1651-2	1651-2	1651-2
Open int.	226,104	226,104	226,104	226,104
Total daily turnover	47,557	47,557	47,557	47,557

ALUMINIUM ALLOY (\$ per tonne)

	Close	High	Low	Settle
Previous	1400-10	1400-10	1400-10	1400-10
High/Low	1400-10	1400-10	1400-10	1400-10
AM Official	1395-405	1405-50	1405-50	1405-50
Kerb close	1395-405	1405-50	1405-50	1405-50
Open int.	4,310	4,310	4,310	4,310
Total daily turnover	1,288	1,288	1,288	1,288

LEAD (\$ per tonne)

	Close	High	Low	Settle
Previous	752.5-4.5	752.5-4.5	752.5-4.5	752.5-4.5
High/Low	751.5-3.5	751.5-3.5	751.5-3.5	751.5-3.5
AM Official	751.5-3.5	751.5-3.5	751.5-3.5	751.5-3.5
Kerb close	751.5-3.5	751.5-3.5	751.5-3.5	751.5-3.5
Open int.	31,856	31,856	31,856	31,856
Total daily turnover	6,575	6,575	6,575	6,575

NICKEL (\$ per tonne)

	Close	High	Low	Settle
Previous	8345-55	8345-55	8345-55	8345-55
High/Low	8340-50	8340-50	8340-50	8340-50
AM Official	8340-50	8340-50	8340-50	8340-50
Kerb close	8340-50	8340-50	8340-50	8340-50
Open int.	43,251	43,251	43,251	43,251
Total daily turnover	15,203	15,203	15,203	15,203

TIN (\$ per tonne)

	Close	High	Low	Settle
Previous	6300-400	6300-400	6300-400	6300-400
High/Low	6315-25	6315-25	6315-25	6315-25
AM Official	6305-7	6305-7	6305-7	6305-7
Kerb close	6305-7	6305-7	6305-7	6305-7
Open int.	17,755	17,755	17,755	17,755
Total daily turnover	7,405	7,405	7,405	7,405

ZINC, special high grade (\$ per tonne)

	Close	High	Low	Settle
Previous	1030-1	1030-1	1030-1	1030-1
High/Low	1029-4	1029-4	1029-4	1029-4
AM Official	1029-4	1029-4	1029-4	1029-4
Kerb close	1029-4	1029-4	1029-4	1029-4
Open int.	82,698	82,698	82,698	82,698
Total daily turnover	24,853	24,853	24,853	24,853

COPPER, grade A (\$ per tonne)

	Close	High	Low	Settle
Previous	2987-9	2987-9	2987-9	2987-9
High/Low	2985-8	2985-8	2985-8	2985-8
AM Official	2985-8	2985-8	2985-8	2985-8
Kerb close	2985-8	2985-8	2985-8	2985-8
Open int.	299-8	299-8	299-8	299-8
Total daily turnover	172,367	172,367	172,367	172,367

LME AM Official US rate 1.5496

	Close	High	Low	Settle
Previous	1.5496	1.5496	1.5496	1.5496
High/Low	1.5496	1.5496	1.5496	1.5496
AM Official	1.5496	1.5496	1.5496	1.5496
Kerb close	1.5496	1.5496	1.5496	1.5496
Open int.	56,432	56,432	56,432	56,432
Total daily turnover	56,432	56,432	56,432	56,432

HIGH GRADE COPPER (COMEX)

	Settle	High	Low	Vol
Nov	138.20	138.20	138.20	183
Dec	138.60	138.60	138.60	183
Jan	139.00	139.00	139.00	183
Feb	139.40	139.40	139.40	183
Mar	139.80	139.80	139.80	183
Apr	140.20	140.20	140.20	183
May	140.60	140.60	140.60	183
Jun	141.00	141.00	141.00	183
Jul	141.40	141.40	141.40	183
Aug	141.80	141.80	141.80	183
Sep	142.20	142.20	142.20	183
Oct	142.60	142.60	142.60	183
Nov	143.00	143.00	143.00	183
Dec	143.40	143.40	143.40	183
Jan	143.80	143.80	143.80	183
Feb	144.20	144.20	144.20	183
Mar	144.60	144.60	144.60	183
Apr	145.00	145.00	145.00	183
May	145.40	145.40	145.40	183
Jun	145.80	145.80	145.80	183
Jul	146.20	146.20	146.20	183
Aug	146.60	146.60	146.60	183
Sep	147.00	147.00	147.00	183
Oct	147.40	147.40	147.40	183
Nov	147.80	147.80	147.80	183
Dec	148.20	148.20	148.20	183
Jan	148.60	148.60	148.60	183
Feb	149.00	149.00	149.00	183
Mar	149.40	149.40	149.40	183
Apr	149.80	149.80	149.80	183
May	150.20	150.20	150.20	183
Jun	150.60	150.60	150.60	183
Jul	151.00	151.00	151.00	183
Aug	151.40	151.40	151.40	183
Sep	151.80	151.80	151.80	183
Oct	152.20	152.20	152.20	183
Nov	152.60	152.60	152.60	183
Dec	153.00	153.00	153.00	183
Jan	153.40	153.40	153.40	183
Feb	153.80	153.80	153.80	183
Mar	154.20	154.20	154.20	183
Apr	154.60	154.60	154.60	183
May	155.00	155.00	155.00	183
Jun	155.40	155.40	155.40	183
Jul	155.80	155.80	155.80	183
Aug	156.20	156.20	156.20	183
Sep	156.60	156.60	156.60	183
Oct	157.00	157.00	157.00	183
Nov	157.40	157.40	157.40	183
Dec	157.80	157.80	157.80	183
Jan	158.20	158.20	158.20	183
Feb	158.60	158.60	158.60	183
Mar	159.00	159.00	159.00	183
Apr	159.40	159.40	159.40	183
May	159.80	159.80	159.80	183
Jun	160.20	160.20	160.20	183
Jul	160.60	160.60	160.60	183
Aug	161.00	161.00	161.00	183
Sep	161.40	161.40	161.40	183
Oct	161.80	161.80	161.80	183
Nov	162.20	162.20	162.20	183
Dec	162.60	162.60	162.60	183
Jan	163.00	163.00	163.00	183
Feb	163.40	163.40	163.40	183
Mar	163.80	163.80	163.80	183
Apr	164.20	164.20	164.20	183
May	164.60	164.60	164.60	183
Jun	165.00	165.00	165.00	183
Jul	165.40	165.40	165.40	183
Aug	165.80	165.80	165.80	183
Sep	166.20	166.20	166.20	183
Oct	166.60	166.60	166.60	183
Nov	167.00	167.00	167.00	183
Dec	167.40	167.40	167.40	183
Jan	167.80	167.80	167.80	183
Feb	168.20	168.20	168.20	183
Mar	168.60	168.60	168.60	183
Apr	169.00	169.00	169.00	183
May	169.40	169.40	169.40	183
Jun	169.80	169.80	169.80	183
Jul	170.20	170.20	170.20	183
Aug	170.60	170.60	170.60	183
Sep	171.00	171.00	171.00	183
Oct	171.40	171.40	171.40	183
Nov	171.80	171.80	171.80	183
Dec	172.20	172.20	172.20	183
Jan	172.60	172.60	172.60	183

Gilts fall on UK borrowing requirement worries

note was ½ weaker at 100½, yielding 5.483 per cent.

Bond prices moved off their session lows just after 8.30am when the Commerce Department said housing starts shipped by 3.7 per cent to an annualised rate of 1.34m starts in October, whereas most economists had forecast an increase to 1.41m starts.

However, the mood of the market turned bearish at mid-morning after the Conference Board — an economic think-tank — said its index of consumer confidence jumped 5 points to 101.4 in November.

Mr Fabian Linden of the Conference Board's consumer research centre said the data suggested holiday spending "could be reasonably lively".

Also weighing on yesterday's market was new supply set to come from an afternoon start on the New York market and a sale of \$12bn in five-year notes set for today.

Shares in Eni, the Italian oil and gas and chemicals group, barely rose above their last price of L5.50 on their first day of trading in Milan, London and New York yesterday.

Eni's managing director, said the L6,500bn (\$3,97bn) share offer - the Italian govern-

INTERNATIONAL EQUITY ISSUES

ment's largest ever sale of state assets was "not just a success, but a very great success," given the difficult mar-

that the Enl issue would make start this market," said a hedge analyst.

"But given the dire circumstances, it was always unlikely that the issue would make a take-off, because general market conditions are so very poor, that is present."

About 15 per cent of the issue has been sold. Of the 1,200,000 shares floated, 800,000 have gone to institutions and the rest to about 300,000 small shareholders, including many Enl employees.

A further 180m shares are being held in an over-allotment option or "greenshoe," which could be sold to institutions within the next 30 days.

Enl and its advisers refused to

weight Canadian dollar bonds before the Quebec referendum, but now are seeking to re-establish the market," a syndicate official said. The issue was driven mainly by European institutional demand, but he also reported good retail take-up ahead of significant redemptions of Canadian dollar bonds in the next few months.

The Anglo-Electra Corporation, the U.S. conglomerate company, launched a convertible bond that met such demand from US and European investors that it was increased from \$400m to \$500m and ended the day at 103 bid, up from the 100 issue price, said lead manager Lehman Brothers.

● Moody's Investors Service, the international rating agency, said the credit ratings of the senior long-term debt of Chemical Banking Cor-

Borrower	Amount, \$	Coupon %	Price	Maturity	Yield %	Spread bps	Book runner
US DOLLARS							
US Bancorp	500	4.55%	100.00	Jan.2003	2.00	-	Lehman Brothers Inc.
Inter-American Development Bank	100	5.30%	100.00	Dec.2000	1.20	-	LBH International
PEZ Securities, Series A2a+b	98	8.75%	98.122	Nov.1998	undisc.	-	Barque Indonésie
PEZ Securities, Series 2(a)+b	34	8.75%	103.73	Nov.1998	undisc.	-	Barque Indonésie
YEMEN							
Yemeni Coca-Cola	150m	8.25	101.06	Jan.2005	2.50	-	Deutsche/Dresdner/IG Bank
City of Sana'a	8.52m	4.10	101.225	Dec.2001	2.15%	-	BarHyip/Crema/Trade/UBS
FRANCE							
Normia Coca-Cola	150m	0.75%	100.00	Mar.2000	2.50	-	Normia International
City of Bordeaux	8.52m	4.10	100.00	Dec.2000	0.875	-	
SWISS FRANCE							
BNP	150	3.50	108.20	Jan.2001	2.00	-	ABN Amro/ SBC Warburg
SMAC Canada	100	3.75	102.70	Jan.2001	2.00	-	Barque Paribas (Suisse)
BUILDERS							
ABN Amro	1bn	8.575	98.90R	Jan.2000	0.325R	+158(94R-03)	ABN Amro Homb Sovelt
LIJDSBURG FRANCES							
SPRD	2bn	zoro	77.95	Dec.2000	1.275	-	SCCE/ BGL
CANADIAN DOLLARS							
Province of Nova Scotia(a)	250	7.00	98.90R	Dec.2000	0.275R	+28(74R-00)	Toronto Dominion Bank
SWEDISH KRONOR							
Swedish Export Credit	500	8.75	102.50	Jan.2000	1.85%	-	Svenska Handelsbanken

(a) Term limits, non-callable unless stated. Yield spread (over relevant government bond) at launch applied by lead manager.
 (b) Short-term coupon, 6.50% until maturity. Fixed rate coupon thereafter. (c) Coupon price at 100% (unless from 117/100 at par). Greenbook: 100%. (d) Secured by former Yugoslavian debt. (e) Offshore (offshore), (f) Folio: 5/12/95. Callable from 30/9/95, subject to 140% hurdle, at par. Puttable on 31/3/99 at par. Redef clause effective 22/2/97, max 20%. (g) Short rate coupon.

Corporation and Chase Manhattan announced the merger of the two banks in the first quarter of 1998.

Moody's rated the upgrades broadened the merged entity's broad and diverse business franchises in credit cards, mortgages, banking, and vehicle finance and transaction processing, as well as its leading global positions in syndicated lending and capital markets.

■ BUND FUTURES OPTIONS (LFFE) DM200,000 points of 100%									
Strike Price	CALLS				PUTS				
	Jan	Feb	Mar	Jun	Jul	Mar	Jun	Jun	
8750	0.57	0.88	1.08	1.21	0.39	0.70	0.90	1.58	
9800	0.92	0.83	0.92	1.00	0.04	0.95	1.14	1.92	
10000	0.17	0.46	0.89	0.85	0.39	1.25	1.44	2.24	

Est. vol. total, Calls 28989 Puts 11434. Previous day's open int., Calls 125218 Puts 10100

Italy

■ NOTIONAL ITALIAN GOVT. BOND (STP) FUTURES LFF4E L200m 100ths of 100%

	CALLS				PUTS			
	Open	Sett price	Change	High	Low	Est. vol	Open int	
Dec	104.80	104.70	-0.11	104.85	104.80	38979	37908	
Mar	104.45	104.32	-0.11	104.45	104.20	1874	6798	

■ ITALIAN GOVT. BOND (STP) FUTURES OPTIONS (LFFE) L200m 100ths of 100%

Strike Price	CALLS				PUTS			
	Mar	Jun	Mar	Jun	Mar	Jun	Mar	Jun
10400	2.03	2.58	1.71	2.74				
10450	1.77	2.32	1.00	3.00				
10500	1.58	2.10	2.21	3.28				

Est. vol. total, Calls 1710 Puts 1477. Previous day's open int., Calls 16502 Puts 14533

Spain

■ NOTIONAL SPANISH BOND FUTURES (MFF)

Index	Tue Nov 26	Day's change %	Mon Nov 27	Accrued Interest	net adj. ytd	adj. ytd
UK Indices						
1 Up to 5 years (22)	128.08	-0.10	128.18	2.28	9.72	5 yr
2 Over 5 years (22)	146.51	-0.70	146.24	1.52	11.73	15 yr
3 Over 15 years (22)	198.27	-0.70	198.45	1.45	13.67	25 yr
4 Intermediate (8)	180.58	+0.09	180.62	1.15	13.67	Invd
5 All maturities (36)	144.02	-0.25	144.52	1.96	11.17	20 yr
Index-Derived						
1 Up to 5 years (1)	194.73	-0.07	194.87	0.80	8.37	Up
7 Over 5 years (1)	188.06	-0.17	188.02	1.28	4.45	Over
8 All maturities (12)	188.70	-0.17	188.02	1.27	4.54	Over

	Nov 28	Nov 27	Nov 24	Nov 23	Nov 22	Yr ago	High*	Low*
Govt. Secs. (UK)	95.09	95.44	95.14	95.01	94.73	92.00	95.51	90.22
Fixed Interest	118.82	118.58	118.90	118.68	118.33	109.14	114.68	108.77

*For 1985, Government Securities High since compilation; 127.40 (9/1/85), low 49.15 (5/1/75). Fixed Interest and Fixed Interest 1985, SE activity indices released 1974.

	Nov 27	Nov 24	Nov 23	Nov 22	Nov 21
GR: Edged bargains	100.7	97.5	86.8	83.9	91.0
5-day average	94.0	91.4	91.5	96.0	99.0

High since compilation: 133.67 (2/1/94), low 50.63 (9/1/75). Basis 100: Government Securities 15/104

Interest		Treasury Bills and Bond Yields			
Prime rate	8 3/4	One month	5.64	Two year	5.48
Broker loan rate	7 1/2	Two month	5.61	Three year	5.55
and funds	5 1/4	Three month	5.54	Five year	5.70
and funds of institutions		Six month	5.52	10-year	5.80
		One year	5.44	20-	6.00

NATIONAL FRENCH BOND FUTURES (MATIF) FF500,000							
	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	119.88	119.80	-0.16	119.90	119.54	160,985	115,679
Mar	119.00	118.90	-0.14	119.00	118.68	5,085	16,911
Jun	119.26	119.14	-0.16	119.26	119.26	2	3,444

18	3.82	-	-	-	0.40	-
17	-	-	-	-	0.83	-
16	1.70	1.77	-	0.01	0.92	-
15	0.80	1.21	0.04	-	1.37	-
10	0.19	0.78	-	0.39	-	-
Vol. tot. Caffe 28,773 Puts 22,867 - Previous day's open Int., Caffe 178,504 Puts 205,181.						
Germany						
NOTIONAL GERMAN BUND FUTURES (DIFFER. DM250,000 100ths of 100%)						
	Open	Sell price	Change	High	Low	Est. vol. Open Int.
Dec	99.42	99.37	-0.15	99.49	99.35	544,999 1,564,991

[illegible][illegible]

92.60	92.11	2,335	4,711
,000 S2nds of 100%			
High	Low	Est. vol	Open int.

PUTS			
Jan	Feb	Mar	Jun
0-35	1-02	1-21	2-00
0-62	1-30	1-49	2-33

High	Low	Est. vol.	Open int.
10.68	90.36	2,354	10,245

1,000 32nds of 100%			
High	Low	Est. vol.	Open Int.
18-08	117-24	164,737	267,591
18-09	117-15	28,495	131,952

High	Low	Est. vol	Open int.
10.57	10.01	1100	0

YmJ 1985

1.82	2.79	1113	1121	1083
2.80	3.38	1772	1773	1853
3.08	3.44	1731	1732	1671
3.11	3.46	1143	1153	1083
3.19	3.47	1823	1833	1693
3.28	3.48	1883	1893	1523

3.43 3.57 120% -2 121% 108%
(1) 3.43 3.57 119% -2 119% 108%

Yield		1005	
1st	2nd	1st	2nd

8.04	-	105%	105	984
8.85	-	106	704	700
11.72	-	110%	111%	107
10.81	8.57	149%	154%	138%
10.04	-	134%	134%	128%
8.86	-	99%	40%	33
8.86	-			

-	4.25	130 ₂	-	140 ₂	123 ₂
13.50	-	121 ₂	-	130	113 ₂

	Issued	Bid	Offer	Chg.	Yield	Issue
1.9. DOLLAR STRAIGHTS						Sweden \$ 97 25

Alcan Dow Bk 7 23	500	103 1/2	104 1/2	7.08	Wells Bank 5 1/2 08	30
Alberta Province 7 1/2 98	1000	104 1/2	105	5.81		
Enbridge 8 1/2 07	400	108 1/2	109 1/2	6.02	SWISS FRANC STRAIGHTS	
Enbridge-Wood 1-L Fin 8 1/2 00	1000	107 1/2	107 1/2	6.03	Aelen Dow Bank 0 16	5
Enbridge Med Generation 7 99	1000	108 1/2	109 1/2	5.92	Aussie 4 1/2 00	10

British Columbia 7 1/2 02	800	107 1/2	108	6.28	BB 6 1/2 04	38
British Gas 0 21	1500	14 1/2	14 1/2	7.73	Finland 7 1/2 99	38
Canada 6 1/2 87	2000	101 1/2	101 1/2	5.64	Iceland 7 1/2 00	38
Chung Kong Fin 5 1/2 98	800	98	98 1/2	7.10	Inter Amer Dev 4 1/2 03	38
China 6 1/2 04	1000	88 1/2	87	7.23	Ontario 6 1/2 03	40
Costa Rica 6 1/2 00	800	107 1/2	107 1/2	6.05	Quebec 6 1/2 03	38

38 04 96	100	100%	100%	3.76	World Bank 4 21	7
38 04	500	98%	98%	8.27	World Bank 7 01	6
38 04 97	1000	105%	105%	5.59		
Paris de France 9 00	200	105%	107	5.81	YEN STRAIGHTS	
San Bank Japan 8 02	500	100%	100%	6.21	Belgium 5 00	7500
Swiss Gov Corp 9 02	150	100%	100%	6.89	Credit Foncier 4 02	700

and Motor Craft 64, 88	1500	100%	100%	1	8.03	Italy 3 1/2 01	30000
of BK Japan Flo 7 1/2 87	200	102 1/2	102 1/2		8.09	Japan Dev Bk 5 88	10000
and-Amer Day 7 1/2 05	500	107 1/2	108 1/2	1	8.35	Japan Dev Bk 3 1/2 01	12000
and Finance 5 1/2 88	800	98 1/2	98 1/2		8.85	Norway 5 1/2 87	12000
July 6 08	2000	98 1/2	97 1/2		8.82	SNCF 6 1/2 00	30000

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NCF 9 1/2 99	1500	108 1/2	108	5.85	Canada Mtg & Mtg 9 1/2 99 CS	100
Steel 9 1/2 99	1500	107 1/2	102 1/2	5.83	BB 10 1/2 99 CS	100
Sweden 9 1/2 CS	2000	101 1/2	102	6.29	Elco de France 9 1/2 99 CS	27
KENNESSEE VALLEY 6 00	1000	100 1/2	100 1/2	5.67	KW 1st Fln 10 01 CS	40
Kennessee Valley 6 1/2 00	2000	101 1/2	101 1/2	6.30	Northern Tel Tel Tel 00 CS	40

Gold Bank 8 1/2 05	1500	101 1/2	1 1/2	0.11	U.S. National Bank 7 1/2 05 CS	1500
Gold Bank 8 1/2 99	1500	108 1/2	1 1/2	0.28	Quebec Prov 7 04 CS	2000
Gold Bank 8 1/2 97	1500	104	10 1/2	5.88	Quebec Prov 10 1/2 98 CS	1000
				5.48	Council Europe 8 01 Ecu	1100
					Crédit Foncier 8 1/2 04 Ecu	1000

Spain Forster Fe 40	2000	102 $\frac{1}{2}$	102 $\frac{1}{2}$	4.82	Hiro del Sur 10 $\frac{1}{2}$ 88 Eu	500
Spain O_2 98	2000	104	104 $\frac{1}{2}$	4.31	Italy 10 $\frac{1}{2}$ 00 Eu	1000
Spain France O_2 03	1990	100 $\frac{1}{2}$	100 $\frac{1}{2}$	6.33	United Kingdom O_2 01 Eu	200
Germany Br Fe Fe 03	2000	108	108 $\frac{1}{2}$	6.43	AEC 10 88 AS	100
EC O_2 00	2000	105 $\frac{1}{2}$	105 $\frac{1}{2}$	5.73	Coma Br Australia 13 $\frac{1}{2}$ 88 AS	100
EC O_2 00	2000	105 $\frac{1}{2}$	105 $\frac{1}{2}$	5.73		

Stachem-Waerz 5 2 US	2250	37%	57%	0.78	Single En NSW 9 02 AS	300
Stray 6 3 98	1300	104%	104%	+½	5th Aust Govt Fin 9 02 AS	150
Trade 6 4 04	1500	90%	68	+¼	Unilver Australia 12 38 AS	150
Smith 7 3 US	4000	105	105	0.18	Western Aust Trans 7 5 85 AS	100

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	Bid	Offer	Chg.	Yield		Issued	Bid	Offer	Chg.	Yield
10	107	107 1/4		4.16	Albany Natl Treasury 8 03 C	1000	100 1/2	100 1/2	+	7.64

98%	98	6.08	BB 8 03 £	1000	101½	101½	7.72
			Hallux 10½ 67 £	100	104½	104½	8.80
			Herc 10½ 97 £	500	108	108½	8.87
38%	38½	4.72	HSBC Holdings 11.88 02 £	153	116½	116½	8.34
108½	108½	2.98	Italy 10½ 14 £	400	112½	112½	8.77

115 $\frac{1}{2}$	116 $\frac{1}{2}$	1.58	Powergen 8 $\frac{1}{2}$ 08 E	250	104 $\frac{1}{2}$	104 $\frac{1}{2}$	+	8.07
114 $\frac{1}{2}$	114 $\frac{1}{2}$	3.20	Salem Trent 11 $\frac{1}{2}$ 39 E	150	112 $\frac{1}{2}$	112 $\frac{1}{2}$	+	7.61
116	116 $\frac{1}{2}$	3.61	Togo Etc Power 11 01 E	150	114 $\frac{1}{2}$	115 $\frac{1}{2}$	+	7.81
105 $\frac{1}{2}$	108	3.83	TCNZ Fin 0 $\frac{1}{2}$ 02 NZS	75	108 $\frac{1}{2}$	108 $\frac{1}{2}$	+	7.53
113	113 $\frac{1}{2}$	4.12	World Bank 12 $\frac{1}{2}$ 87 NZS	250	107 $\frac{1}{2}$	107 $\frac{1}{2}$	+	7.97

		FLOATING RATE NOTES					
			Issued	Bid	Offer	Caps	
115 $\frac{1}{2}$	114 $\frac{1}{2}$	1.45	Abbey Nat Treasury - 1/2 99	1000	99.72	99.78	5.8125
116 $\frac{1}{2}$	115 $\frac{1}{2}$	2.04	Barnardson - 1/2 99	750	99.85	99.76	5.0000

108	108 $\frac{1}{2}$	2.26	Connecticut Gas Fh $\frac{1}{2}$ 98	750	99.80	99.98	5.7500
113 $\frac{1}{2}$	114	1.27	Credit Lyonnais $\frac{1}{2}$ 00	300	97.82	98.22	5.6750
123 $\frac{1}{2}$	123 $\frac{1}{2}$	2.11	Crédit Lyonnais 0.30 98	1250	100.04	100.13	6.2375
105 $\frac{1}{2}$	105 $\frac{1}{2}$	0.50	Denmark $\frac{1}{2}$ 97	1000	98.87	100.03	5.7500
121 $\frac{1}{2}$	121 $\frac{1}{2}$	1.58	Deutscher Finanz $\frac{1}{2}$ 98 DM	1000	100.03	100.12	4.1484

July 1-98	1500	98.78	98.86	6.0000
July 1-98	2000	100.04	100.13	6.1250
LGE Backin-Wuert Fin 1-98	1000	98.86	99.94	5.8875
Lloyds Bank P&S 0.10	600	82.29	83.38	5.8955

101 1/4	102	+	7.58	Canada 0.99	2000	98.73	99.83	5.8750
104 1/4	104 1/2	+	6.95	Finland 0.98	500	98.67	98.81	5.8280
106 1/4	106 1/2	+	6.51	State Ek Victoria 0.05 98	125	98.57	100.17	5.9408
108 1/4	108 1/2	+	6.68	Sweden 0.98	1500	100.01	100.07	5.8750
111 1/4	111 1/2	+	7.36	Sweden 1/2 01	2000	98.38	99.48	5.7500

110 1/4	110 3/4	1 1/2	6.98		Immed	Price	Bid	Offer	Prize
94 1/2	94 3/4	1 1/2	8.08	Browning-Ferris 8 1/2 05	400	82 1/2	99 1/4	100 1/2	+73.69
109 1/2	109 3/4	1 1/2	7.08	Chubb Capital 8 3/8	250	88	113 1/4	114 1/4	+40.58
110 1/2	111 1/4	1 1/2	6.75	Gold Kelpco 7 1/2 00	65	1.37	107 1/2	109	+57.73
109 3/4	109 1/2	1 1/2	7.73						

108	108½	½	5.97	Hardy Long Land 4 01	470	31.05	82½	83½	+0.08
115	115¼	¼	6.67	Land Spec 6½ 02 2	84	8.72	98	99¼	+0.01
111¼	111½	¼	6.51	Lansco 7½ 05 2	90	5.84	88½	90½	+0.01
109½	109½	½	7.93	Milford Bank 2½ 03	200	2332.6	02	02½	+0.05
118½	118½	½	8.09	Mount Am Fin 6½ 87	100	2.288	99½	100½	+0.01

103 $\frac{1}{2}$	103 $\frac{1}{2}$	↓	8.54	SunRazoo Bank 3 $\frac{1}{2}$ % 04	300	380.8	84	85	+10.13
102 $\frac{1}{2}$	102 $\frac{1}{2}$	↓	8.49	Sun Alliance 7 $\frac{1}{2}$ % 08 P	135	3.9	107 $\frac{1}{2}$	108 $\frac{1}{2}$	+25.04
108 $\frac{1}{2}$	109 $\frac{1}{2}$	↑	7.81	Transamerica Hedges 5 $\frac{1}{2}$ % 08 P	250	5.05	78 $\frac{1}{2}$	79 $\frac{1}{2}$	+14.54
100 $\frac{1}{2}$	100 $\frac{1}{2}$	↑	7.54	* No information available - previous day's price					
				‡ Only one market maker supplied a price					

Amounts expressed in currency of issue at conversion rate fixed at issue. Premium-Percentage premium of the issue. Data supplied by International Securities Market Association.

CURRENCIES AND MONEY

MARKETS REPORT

Market delivers lukewarm response to UK budget

By Philip Gawth

Foreign exchange markets yesterday delivered an unenthusiastic response to the UK budget which offered no short-term benefit for sterling, but increasing the likelihood of lower interest rates which could undermine the current. Sterling closed a penny lower in London at DM2.217 from DM2.2279 on Monday, although most of those losses were the result of profit-taking in advance of the speech by Kenneth Clarke, the chancellor. At 6.30pm, it had slipped further to DM2.212. It also fell slightly lower against the dollar at \$1.5464, from \$1.551.

Traders reported only mild sterling sales, but predicted that these might increase as the speech was digested.

The main message for sterling was that the budget had been seen to have increased both the political and economic imperative for lower interest rates, which may prompt a

ling to retest its historic lows against the D-Mark, and on a trade weighted basis. Elsewhere in the foreign exchange markets the dollar had a fairly quiet day, while ceding some of the gains made on Monday. It finished at DM1.4338, from DM1.4358, and at ¥101.325, from ¥101.91.

In Europe the D-Mark was a little changed, although there was a slight corrective tone to trading following the losses suffered on Monday.

The dominant theme among UK analysts was that a series of interest rate cuts was the only way the government could hope to achieve its 3 per cent growth target for 1996, given the fiscally neutral budget. Others pointed out that a

three per cent growth forecast, and the size of the public sector borrowing requirement, were both arguments against cutting interest rates.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the budget "reflects the government's appreciation that they have got to get rates down if they are going to have any chance of winning the election. It puts the onus very firmly on monetary policy."

He said the budget, if anything, increased the likelihood of sterling revisiting historic lows, because of the clear message that rates would have to move lower.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said markets had been underwhelmed by the budget, with a danger that it would be forgotten within two weeks. Apart from the prospect of lower interest rates, he said sterling's prospects were hampered by the sluggish growth

Interest rate expectations

Calculated from March '96 short sterling, bid price



Source: FT Index

There was limited response to the budget in the futures market, with interest rate cuts already widely discounted. The March short sterling contract closed at 93.7, from 93.77. Most of the losses occurred before the budget speech. Three month LIBOR was unchanged at 6 1/2 per cent.

Ahead of the budget, the German money markets were the main focus of interest. End of month pressures drove call money as high as the 5 1/2 per cent Lombard rate level, raising fears that the repo rate might indeed rise at the weekly auction today. This would have confused the general market consensus that German interest rates are set on a downward path, with much attention focused on the meeting tomorrow of the Bundesbank council.

The Bundesbank responded to the situation by issuing a three day repo, allowing call money to ease to between

4 per cent and 4 1/2 per cent. Analysts said that this should at least allow the repo rate to remain steady today, if not move slightly lower. There was also a slightly corrective tone to the D-Mark following the generalised losses it suffered on Monday. Contrary to the bullish tone of market speculation on Monday, analysts said yesterday that comments from various senior Bundesbank officials had made clear that they were not in a hurry to cut rates.

UK markets also suffered a bout of pre-budget jitters, with sterling falling from DM2.2350 to around DM2.2200. This correction followed sterling rallying over the previous week from record lows.

POUND SPOT FORWARD AGAINST THE POUND

Nov 28	Closing mid-point	Change on day	7 days	1 month	3 months	6 months	1 year	JP Morgan index
Europe	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Australia	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Belgium	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Denmark	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
France	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Germany	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Greece	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Ireland	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Italy	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Luxembourg	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Netherlands	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Norway	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Portugal	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Spain	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Sweden	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Switzerland	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
UK	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
USA	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Japan	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
South Africa	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Canada	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Mexico	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Argentina	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Brazil	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Chile	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Colombia	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Costa Rica	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Cuba	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Czech Republic	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Dominican Republic	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Ecuador	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
El Salvador	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Guatemala	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Honduras	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Hungary	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
India	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Indonesia	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Israel	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Italy	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Japan	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Korea	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Malaysia	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Mexico	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Morocco	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Netherlands	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
New Zealand	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Norway	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Poland	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Portugal	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Romania	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Russia	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
South Africa	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Spain	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Sweden	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Switzerland	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Taiwan	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Thailand	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Turkey	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
USA	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
UK	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
West Germany	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0
Yugoslavia	15.0003	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	100.0

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 28		BP	DM	FFr	DM	E	L	F
Belgium	(BF) 10	18.22	16.68	4.983	2.125	5409	5446	
Denmark	(DK) 10	11.82	8.264	2.294	1.234	3239	3243	
France	(F) 20	20.59	10.10	2.915	1.274	3433	3285	
Germany	(DM) 20.5	8.874	3.430	1	0.437	1112	1120	
Ireland	(P) 10.7	8.854	7.948	2.268	1	2543	2582	
Italy	(L) 1.84	3.434	3.538	0.005	0.002	103	0.101	
Netherlands	(G) 18.5	3.455	3.038	0.003	0.590	598.2		
Spain	(P) 16.5	8.779	7.780	2.271	0.969	2626	2544	
Portugal	(P) 19.7	3.709	3.288	0.858	0.419	1086	1078	
Sweden	(F) 24.1	4.547	4.030	1.075	0.514	1337	1373	
Switzerland	(SFR) 45.3	8.850	7.885	2.270	0.962	2449	2449	
UK	(SFR) 45.3	8.850	7.885	2.270	0.962	1379	1383	
US	(C) 21.1	4.050	3.830	1.053	0.487	1177	1185	
Canada	(C) 21.1	4.050	3.830	1.053	0.487	1386	1390	
Japan	(Y) 2.57	5.476	4.918	1.573	0.515	1579	1585	
Ecu	(Y) 2.57	7.168	6.353	1.652	0.601	2080	2074	
Source: Reuters. Belgian Franc, and Swedish Krona per 10; Belgian Franc, Yr.								

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Have you
Financial Time

AMERICA

Dow eases but technology stocks recover

Wall Street

Blue chips fell off their record-breaking pace in early trading as the bond market slipped, but technology shares managed to recover from recent losses as lower semiconductor prices brought investors back to that sector, writes Lisa Branstetter in New York.

At 12.30 pm, the Dow was off 29.27 at 5,041.61, marking its first decline since November 20. The Standard & Poor's 500 eased 0.24 to 601.05 and the American SE composite softened 0.53 to 590.33. NYSE volume came to 193m shares.

Both the stock and bond markets were troubled by a report from the Conference Board showing that consumer confidence jumped 5 points to 101.4 in November. The figure was much stronger than most economists had expected, and it worried investors betting that the Federal Reserve would lower interest rates next month.

But figures on new home construction did suggest that the economy was still slowing. The Commerce Department said that housing starts fell 3.7 per cent to an annualised rate of 1.34m in October, although most economists had been looking for a modest increase in construction.

The technology-rich Nasdaq composite rallied 7.48 to 1,036.80, led by gains in shares of semiconductor and semiconductor equipment companies. The Pacific SE technology index advanced 1.5 per cent.

Mexico City weakens

Mexico City was weaker in early afternoon trade as investors continued to take profits after recent gains. The IPC index of 37 leading shares was down 4.84 at 2,549.94 in volume of 20.1m shares.

Dealers said that some investors were extending Monday's profit-taking after the bull run had lifted overall prices by some 15 per cent.

However, they added that the mood could change later in the session when it was expected that the central bank would announce a slight

decline in interest rates.

SAO PAULO was little altered in midsession trading and the Bovespa index was off 194.75 at 40,857 by noon.

BUENOS AIRES was tightly traded as the market consolidated. The Merval index had shed 4.35 to 448.23 by midday.

Blue chips had made a gain of 14 per cent during the previous seven sessions. SANTIAGO slipped 1.4 per cent in early trade as investors took advantage of a rise in interest rates.

By midday the IPSA index was off 1.28 at 93.30.

Trust banks were higher, with Mitsui Trust and Bank of Tokyo Y25.50.

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EUROPE

The announcement that Wolters Kluwer was to make a \$2bn bid for a US legal publisher dampened trading in AMSTERDAM. The Dutch company's stock plunged 19.50 or 6.4 per cent to 114.50, off an intra-session low of 113.70, and the AEX index reacted with a loss of 1.77 to 473.85.

The first reaction from analysts was that Wolters Kluwer would probably need a rights issue to finance the bid, and it was this worry that generated much of the institutional sales during the day. There was also some concern about the Dutch company's ability to manage such a large bid when, historically, it had focused on much smaller acquisitions.

Wolters Kluwer said that it expected "mutual benefits" from the acquisition, particularly from the publisher's publishing. But analysts said that they would now have to recast their earnings forecasts after a steady 15 per cent annual growth rate in recent years.

PARIS was gripped, painfully, by another round of industrial action by unions protesting at the government's proposals to reform social welfare. An additional depressant was provided at the outset with the publication of a

ASIA PACIFIC

Nikkei continues to rally

Tokyo

Active buying of large-capital stocks and shipbuilders augmented technical gains, and there were signs of speculative activity as the Nikkei average rose to its highest close since September 14, writes Emiko Teramoto in Tokyo.

The 225-share index ended 145.28 firmer at 18,895.42 after touching extremes of 18,540.35 and 19,744.72. Profit-taking depressed shares briefly during the morning session, but the key index was lifted by arbitrage linked buying, due to higher futures prices and purchases by foreign securities houses.

The Topix index of all first section stocks added 10.03 at 1,473.69 and the Nikkei 50 was up 1.92 at 276.55. Volume came to 470m shares, against 384.9m. The rise in the dollar against the yen helped investor confidence, while small-lot buying by individuals and speculative activity also supported trading.

In London the FTSE 100 index eased 0.02 to 1,261.12.

Steels were actively bought by foreign brokers as interest rate-sensitive stocks. Hopes of an imminent cut in the official discount rate had been spreading among the financial community, capping a rise in short and long-term yields. NIKK, the day's most active issue, gained Y10 at Y289 and Nippon Steel Y5 at Y358.

Banks were firm on further disclosure of their bad loan portfolios; those which announced aggressive write-offs were pushed actively. Sumitomo Bank, which announced that it would finish writing off its bad loans this business year, rose Y30 to Y1,940 and Mitsubishi Bank put on Y30 at Y2,250.

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Wolters Kluwer

Share price (guilders)

180

150

130

110

90

70

50

30

10

0

Source: FT Data

national statistics institute survey which showed that business sentiment had worsened sharply during the month.

The CAC-40 index retreated 19.42 to 1,970.34 in turnover of FF4.3bn.

Analysts felt that the extent of industrial action in recent weeks made it look more likely that the government would soften some of its recent budget proposals. Prime Minister Alain Juppé is to make a televised address before the end of the week.

Elf Aquitaine headed the most active list as it declined FF7.50 to FF361.30. The oil

group was hurt by reports that a member of the management board had been placed under judicial investigation.

Canal Plus went against the trend, rising FF7.15 to FF285 on its new cable and satellite programme venture with Générale des Eaux, unchanged at FF491, and Telecommunications International, of the US.

FRANKFURT held most of Monday's equity winnings, the Dax index closing just 5.06 off at an ill-indicated 2,249.91 as the dollar held up, and as investors awaited tomorrow's Bundesbank meeting.

Turnover eased from DM7.7bn to DM6.8bn. Among blue chips, Hoechst renewed its outperformance with a rise of DM4.60 to DM372.40 but the retailers Karstadt, Kaufhof and Douglas fell by DM10.40 to DM367.80, DM7.70 to DM432.50 and 50 pps to DM48.50 respectively on a lack of optimism ahead of the Christmas season.

Nikko Europe tipped Douglas, saying that tax relief in Germany, effective in 1996, should put another DM21bn into consumers' pockets; that the strength of the D-Mark should have lowered purchasing costs this year, especially in the pharmacy and jewellery divisions; and that restructuring

counterparts, surging on anticipation of strong demand for their products amid the global boom in computers and telecommunications.

SINGAPORE picked up on renewed purchasing of property issues after recent reports that property prices had been holding steady. The Straits Times index put on 5.98 at 2,113.43.

Atech, the multimedia company, lost 3 cents to S\$3.44 in active trade on fears that a major customer could be in financial trouble. Amcol dipped 10 cents to S\$3.44 a day after the Indonesian businessman, Mr Henry Prihadi, completed his purchase of 10m shares from Kang Hwi Wah.

SEOUL saw political uncertainty put the brake on activity and the composite index edged 3.66 higher to 962.89.

KARACHI continued to weaken and equities recorded a 26-month low, writes Farhan Bokhari in Islamabad.

The KSE-100 index fell 27.47 to 1,323.17, having tumbled by almost 25 per cent since September. The declines had gathered pace since the end of October when the government devalued the rupee by 7 per cent, raised domestic fuel prices by the same amount, and imposed duties ranging from 5 to 10 per cent on imports, in an effort to cope with falling exchange reserves and declining export income.

Analysts said that worries regarding violence in the city had affected confidence. More than 1,700 people had been killed in ethnic violence in the city since January.

KUALA LUMPUR featured late foreign demand for blue chips, which boosted the composite index by 18.88 or 2.1 per cent to 948.54.

Tanjong jumped 70 cents to M\$7.65 on news that its Philippine associate was renting out online lottery equipment to a Manila state lottery.

HONG KONG rose 1.1 per cent, prompted by a strong, late rally by index futures ahead of today's expiry of the November contract. The Hang Seng index finished 99.92

FT-SE Actuaries Share Indices

Nov 28

Nov 27

Nov 26

Nov 25

Nov 24

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Nov 12

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THE EUROPEAN SERIES

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